

2011

# Financial Statements Town of Orono, Maine June 30, 2011

Orono, Me.

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**Financial Statements**

**Town of Orono, Maine**

**June 30, 2011**

## Contents

# Town of Orono, Maine

June 30, 2011

### Financial Statements:

Independent Auditors' Report .....	1
Management's Discussion and Analysis .....	3-1
Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets .....	4
Statement of Activities .....	5
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet .....	6
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets .....	7
Statement of Revenues, Expenditures and Changes in Fund Balances .....	8
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities .....	9
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund (Budget Basis) .....	10
Proprietary Funds:	
Statement of Net Assets - Enterprise Funds .....	11
Statement of Revenues, Expenses and Changes in Net Assets - Enterprise Funds .....	12
Statement of Cash Flows - Enterprise Funds .....	13
Notes to Financial Statements .....	14
Required Supplementary Information .....	38
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u> .....	39

### Supplemental Information:

Schedule A-1 - Comparative Balance Sheet - General Fund .....	41
Schedule A-2 - Schedule of Revenues, Expenditures and Changes in Fund Balance Budget and Actual - GAAP Basis - General Fund .....	42
Schedule B-1 - Combining Balance Sheet - Special Revenue Funds .....	46
Schedule B-2 - Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Special Revenue Funds .....	47
Schedule B-3 - Schedule of Changes in Fund Balances - Public Library Funds .....	48
Schedule C - Schedule of Valuation, Assessment and Collection of Taxes .....	49

## **Independent Auditors' Report**

**To the Town Council  
Town of Orono  
Orono, Maine**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Orono, Maine, as of and for the year ended June 30, 2011, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Orono, Maine's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Orono, Maine, as of June 30, 2011, and the respective changes in financial position, and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 15, 2012, on our consideration of the Town of Orono, Maine's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the Schedule of Funding Progress on pages 3 and 37 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Orono, Maine's financial statements as a whole. The Combining and Individual Fund Statements and Other Schedules are presented for purposes of additional analysis and are not a required part of the financial statements. The Combining and Individual Fund Statements and Other Schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

As described in Note A to the financial statements, the Town implemented GASB Statement No. 54 *Fund Balance Reporting and Governmental Fund Type Definitions*. Certain prior year fund balance amounts have been restated to reflect the provisions of GASB Statement No. 54.

*Purdy Power + Company*  
**Professional Association**

**Portland, Maine**  
**February 15, 2012**

## **Management's Discussion and Analysis**

### **Town of Orono, Maine**

As management of the Town of Orono, Maine, we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2011. The Town's financial performance is discussed and analyzed within the context of the accompanying financial statements and disclosures following this section.

#### **Financial Highlights**

- The Town's governmental assets exceeded liabilities by approximately \$14 million as of June 30, 2011 and 2010.
- The Town's governmental funds General Fund Balance on a budgetary basis was \$8.0 million as of June 30, 2011, compared to \$8.0 million as of June 30, 2010. Of the 2011 balance, approximately 50% is available for spending at the Town's discretion (unassigned fund balance).

#### **Overview of the Financial Statements**

The Management's Discussion and Analysis introduces the Town's basic financial statements. The basic financial statements include three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. The Town also includes in this report supplemental information to the basic financial statements.

#### **Government-wide Financial Statements**

The government-wide financial statements include a Statement of Net Assets and a Statement of Activities. These statements provide information about the activities of the Town as a whole and present both a long-term and short-term view of the Town's finances. Financial reporting at this level is similar to the accounting used by most private-sector companies.

The Statement of Net Assets includes all assets and liabilities, with the difference reported as net assets. Over time, increases or decreases in the Town's net assets are one indicator of whether its financial health is improving or deteriorating. Evaluation of the overall economic health requires other non-financial factors, such as changes in the Town's property tax base and the condition of the Town's roads, as well as many others.

The Statement of Activities reports the current year change in net assets. This statement includes all of the current year's revenues and expenses regardless of when cash is received or paid.

The Statement of Net Assets and the Statement of Activities are divided into two kinds of activities:

- **Governmental activities:** Most of the Town's basic services are reported here, including the police, fire, general administration, streets, and ambulance. Property and excise taxes, franchise fees, fines, and state and federal grants finance most of these activities.

## Management's Discussion and Analysis- Continued

### Town of Orono, Maine

- Business-type activities: if the Town charges a fee to customers to help it cover all or most of the cost of certain services it provides.

#### Fund Financial Statements

For governmental activities, these statements focus on how services were financed in the short term as well as what remains for future spending. Fund financial statements also report the Town's operations in more detail than the government-wide statements by providing information about the Town's most significant funds. The remaining statements provide financial information about activities for which the Town acts solely as a trustee or agent for the benefit of those outside of the government.

#### Financial Analysis of the Town as a Whole - Government-wide Financial Statements

The following schedule is a summary of net assets for the years ended June 30, 2011 and June 30, 2010:

	<u>Governmental Activities</u>			<u>Business-type Activities</u>		
	<u>2011</u>	<u>2010</u>	<u>Change</u>	<u>2011</u>	<u>2010</u>	<u>Change</u>
Current and other assets	\$12,057,684	\$12,332,610	\$ (274,926)	\$ 2,215,868	\$ 2,367,036	\$ (151,168)
Capital assets	<u>11,714,007</u>	<u>12,156,968</u>	<u>(442,961)</u>	<u>13,711,768</u>	<u>14,238,731</u>	<u>(526,963)</u>
<b>Total Assets</b>	<b>23,771,691</b>	<b>24,489,578</b>	<b>(717,887)</b>	<b>15,927,636</b>	<b>16,605,767</b>	<b>(678,131)</b>
Long-term liabilities	8,555,474	9,198,135	(642,661)	9,328,707	9,548,114	(219,407)
Other liabilities	<u>1,231,732</u>	<u>1,166,935</u>	<u>64,797</u>	<u>562,538</u>	<u>789,420</u>	<u>(226,882)</u>
<b>Total Liabilities</b>	<b>9,787,206</b>	<b>10,365,070</b>	<b>(577,864)</b>	<b>9,891,245</b>	<b>10,337,534</b>	<b>(446,289)</b>
Net assets:						
Invested in capital assets, net of related debt	7,163,172	7,307,356	(144,184)	4,163,654	4,480,312	(316,658)
Restricted	-	-	-	-	-	-
Unrestricted	<u>6,821,313</u>	<u>6,817,152</u>	<u>4,161</u>	<u>1,872,737</u>	<u>1,787,921</u>	<u>84,816</u>
	<u><b>\$ 13,984,485</b></u>	<u><b>\$ 14,124,508</b></u>	<u><b>\$ (140,023)</b></u>	<u><b>\$ 6,036,391</b></u>	<u><b>\$ 6,268,233</b></u>	<u><b>\$ (231,842)</b></u>

Reviewing the statement of net assets for Fiscal Years 2010 and 2011, the following changes can be noted. Total assets decreased by \$717,887 and total liabilities decreased by \$577,864 resulting in a reduction in net assets of \$140,023. The major decreases in assets were found in notes receivable, receivables for long-term obligations from RSU 26, and a decrease in capital assets. Increases that offset these decreases were found in cash and cash equivalents and accounts receivable. The major decrease in liabilities was a function of the decrease in long term bonds payable by \$691,009 which is

## **Management's Discussion and Analysis- Continued**

### **Town of Orono, Maine**

the amount of debt payable for one year. No new debt was issued in FY 2011 which accounted for the reduction in long term debt payable. Unrestricted net assets for governmental and business-type activities increased in FY 2011 by \$88,976; assets invested in capital, net of related debt decreased by \$460,842. Total net assets decreased by \$372,866 in FY 2011. In general, FY 2011 reflected greater stability in the financial picture over FY 2010. FY 2010 reflected the changes resulting in the Town's financial position as a result of the formation of RSU 26 which separated the school's assets and liabilities from the Town's.

Net assets for governmental activities decreased by \$140,023; net assets for WPCF decreased by \$231,842. Net assets for both governmental activities and business-type activities are at healthy levels as we enter a third year of a troubled economy. Total assets for governmental activities decreased because of a reduction in notes receivable and prepaid fees to RSU 26. At the end of FY 2011, 97.4% of the current year's taxes were collected as compared with a 96.6% collection rate at the end of FY 2010.



## Management's Discussion and Analysis- Continued

### Town of Orono, Maine

The following schedule is a summary of the statement of activities for the years ended June 30, 2011 and June 30, 2010:

	<u>Governmental Activities</u>			<u>Business-type Activities</u>		
	<u>2011</u>	<u>2010</u>	<u>Change</u>	<u>2011</u>	<u>2010</u>	<u>Change</u>
Revenues:						
Program revenues:						
Charges for services	\$ 162,259	\$ 173,358	\$ (11,099)	\$ 1,559,389	\$ 1,552,599	\$ 6,790
Operating grants and contributions	409,185	351,873	57,312	-	-	-
Capital grants	-	-	-	-	219,033	(219,033)
General revenues						
Taxes	9,336,845	9,180,947	155,898	-	-	-
Intergovernmental	2,160,836	2,011,004	149,832	-	-	-
Investment	376,149	428,676	(52,527)	(399,987)	(413,672)	13,685
Miscellaneous	627,941	621,825	6,116	-	-	-
Gain (loss) on disposal	(1,429)	16,328	(17,757)	-	(91,561)	91,561
<b>Total Revenues</b>	<b>13,071,786</b>	<b>12,784,011</b>	<b>287,775</b>	<b>1,159,402</b>	<b>1,266,399</b>	<b>(106,997)</b>
Expenses:						
General						
General government	1,621,592	1,421,932	199,660	-	-	-
Public services	741,725	727,357	14,368	-	-	-
Public safety	2,758,120	2,754,790	3,330	-	-	-
Public works	1,997,210	1,828,245	168,965	-	-	-
Education	4,907,218	4,732,546	174,672	-	-	-
County tax	463,446	465,030	(1,584)	-	-	-
Miscellaneous	172,671	232,589	(59,918)	-	-	-
MPERS on-behalf	-	-	-	-	-	-
Interest on long-term debt	549,827	641,201	(91,374)	-	-	-
Sewer services	-	-	-	1,391,245	1,360,038	31,207
<b>Total Expenses</b>	<b>13,211,809</b>	<b>12,803,690</b>	<b>408,119</b>	<b>1,391,245</b>	<b>1,360,038</b>	<b>31,207</b>
<b>Change in Net Assets Before Special Item</b>	<b>(140,023)</b>	<b>(19,679)</b>	<b>(120,344)</b>	<b>(231,843)</b>	<b>(93,639)</b>	<b>(138,204)</b>
<b>Special Item: Transfer of Funds From (To) RSU #26</b>	<b>-</b>	<b>219,571</b>	<b>(219,571)</b>	<b>-</b>	<b>(4,220)</b>	<b>4,220</b>
<b>Change in Net Assets</b>	<b>\$ (140,023)</b>	<b>\$ 199,892</b>	<b>\$ (339,915)</b>	<b>\$ (231,843)</b>	<b>\$ (97,859)</b>	<b>\$ (133,984)</b>

## **Management's Discussion and Analysis- Continued**

### **Town of Orono, Maine**

Estimated revenues for governmental activities increased by 2% over FY 2010. The dramatic decrease in estimated revenues noted in FY 2010 was a one-time phenomenon due to the separation of the school's financial activities from the town's when the school entered RSU 26. Taxes, intergovernmental revenues, operating grants and contributions increased; investment income decreased and there was a loss in the area of disposal of capital assets. Taxes increased by 1.6% though the mill rate itself showed a minor decrease from 20.80/thousand to 20.75/thousand. State Revenue Sharing exceeded projections by \$83,994 and exceeded the amount collected in FY 2010 by \$50,360. Operating grants exceeded receipts in FY 2010 by \$139,976. Collections in the area of State Revenue Sharing reversed the three year trend of decreasing revenues by showing a slight increase over FY 2010. State Revenue Sharing collections for FY 2008 were \$1,684,950; FY 2009 were \$1,422,577; FY 2010 equaled \$1,133,634. The decreasing revenue sharing stream is a result of decreased sales tax collections due to the economic downturn of the last several years. Receipts for the state road subsidy were almost \$20,000 over estimate but about \$1,500 less than in FY 2010.

The grant for downtown trail development and riverside improvements will be received in FY 2012 when the Town's expenditures for this downtown improvement project are completed. The EPA grant for Webster Mill Cleanup reimburses as work is completed on this project; the remainder of that grant will be collected in FY 2012. Ambulance fee collections were almost \$80,000 above estimate which reflects delayed payments from Maine Care and Medicaid at the end of FY 2010 rather than increased amount billed for services. Anticipated transfers from reserve funds were almost \$300,000 less than anticipated primarily because the projects or expenditures they were designated to fund did not take place. The Capital Equipment Reserve Fund contributed \$57,000 less than anticipated due to expenditures lower than anticipated. Once again, planning work for the construction of a new town garage did not take place; work on the Bennoch Road did not occur as planned and the Pine Street Reconstruction project is not complete. This means that the money is available for transfer in FY 2012 as the work on these projects either begins or is completed. The trend of reduced interest rates continued in FY 2011, reflecting the exceptionally low interest rates available to the Town in its general fund sweep account as well as in the many reserve accounts established to anticipate the need for funding at a later date, thus reducing the need for tax increases for one-time large-scale capital projects such as the construction of a new town garage.

Expenditures were \$963,122 less than budgeted for the year. General government showed the most dramatic contrast between budgeted and actual expenditures, particularly in the area of Tax Increment Financing. This budget area is project-oriented and is funded by tax increment financing agreements designed as designated revenues for development projects in specific areas. If the expenditures are not made in a particular budget cycle, the money that has been collected through the tax collection process is placed in reserve funds for use at a later time. Capital outlays were less than \$250,000 than budgeted due to decisions to defer purchasing certain new equipment. Capital equipment expenditures are funded by the Capital Equipment Reserve Fund: when budgeted items are not purchased, money remains in the fund for future purchases of equipment in later budget years,.

Business-type activities showed an increase in cash on hand at the end of FY 2011 of over \$96,000. Net assets decreased by \$231,843 reflecting a decreased investment in capital assets, net of debt. Capital assets are depreciated by approximately \$556,000 annually which is a major reason for the loss in value

## **Management's Discussion and Analysis- Continued**

### **Town of Orono, Maine**

of assets. Charges for services remained virtually the same with an increase of only \$6,800 in FY 2011, Assets decreased by \$678,132 and liabilities decreased by \$446,289 which represents about 80% of the annual debt payment. Included in the total liabilities for the WPCF is \$9,328,707 for bonds payable. There is a debt retirement reserve fund that has been established to pay one year's debt in case of unforeseen losses in revenue.

#### **Financial Analysis of the Town's Funds - Fund Financial Statements**

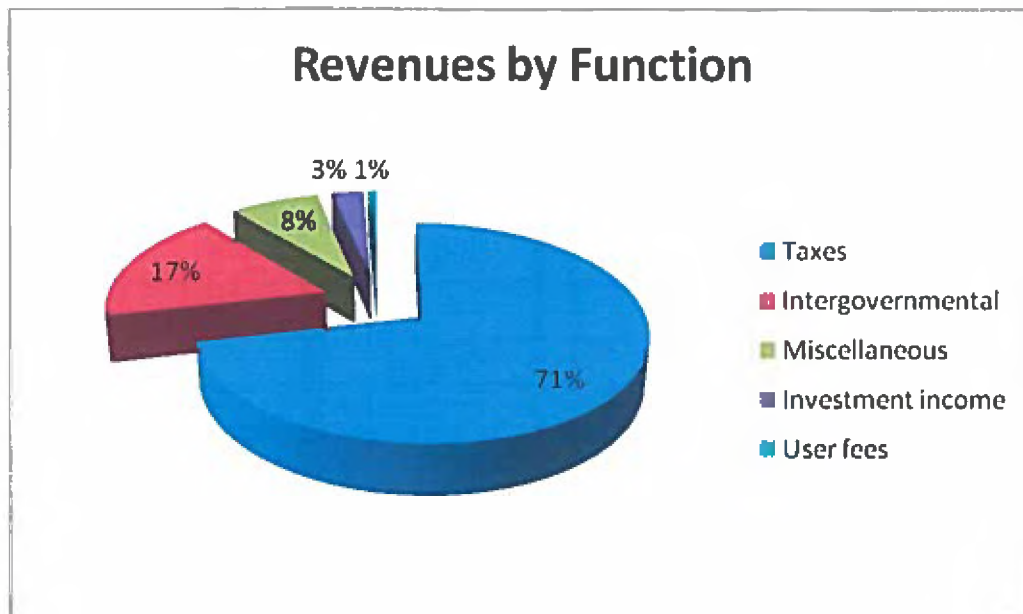
Our analysis of the Town's major funds begins with the fund financial statements and provides detailed information about the most significant funds-not the Town as a whole. Some funds are required to be established by State law. However, many other funds are established to help control and manage money for particular purposes or to show the Town is meeting legal responsibilities for using certain taxes, grants, and other money. The Town reports governmental funds and a proprietary fund.

- **Governmental funds** - Most of the Town's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the Town's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Town's programs. We describe the relationship, or differences, between governmental activities, reported in the Statement of Net Assets and the Statement of Activities, and governmental funds in reconciliation at the bottom of the fund financial statements.
- **Proprietary funds** -The Town maintains one type of proprietary fund, an Enterprise fund. Enterprise funds, as described above, are required to be used to account for operations for which a fee is charged to external users for goods or services. Enterprise funds are reported using the accrual basis of accounting. The Town's Enterprise fund accounts for sewer operations.

Current year revenues on a budgetary basis were made up of the following:

## Management's Discussion and Analysis- Continued

### Town of Orono, Maine

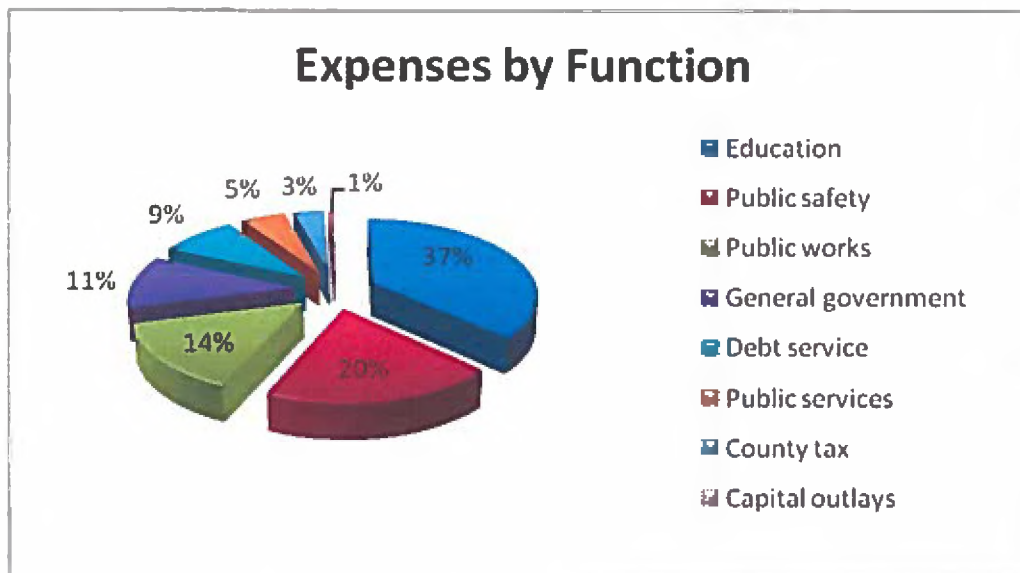


A comparison of revenues by function between FY 2010 and FY 2011 shows virtually no change in the percentages of each function. Property taxes, excise taxes and interest and costs associated with the collection of delinquent taxes make up over 70% of the revenue in both years. Intergovernmental revenues accounted for 15.7% of the total in FY 2010 and 16.5% of the total in FY 2011. The other major areas were roughly comparable over the two fiscal years. The trend of relying on property taxes to fund budgeted expenses to a greater degree continued in FY 2011. In FY 2008, tax revenues equaled \$8,525,587; in fiscal year 2009, tax revenues were \$8,833,390, an increase of 3.6%. In FY 2010, tax revenues were \$9,015,947, an increase of 1.2%. FY 2011 raised \$9,411,845 in taxes which was an increase of \$395,898 or a 4.3%. This increase includes a change in deferred property tax revenue of \$75,000 which accounts for about a quarter of the increase and reflects the amount needed in reserve to cover outstanding tax liens. When state funding, notably in the area of state revenue sharing decreases as it has in the last several years, the property taxes increase to maintain existing services. All other areas of revenue remained about the same with some increase in the intergovernmental area due to higher than anticipated state revenue dollars. With the separation of the school department from the town with the formation of RSU 26, the revenues available to the RSU greatly affect how much money is needed from the town to support the educational component of the budget. Having separated from the town, a certain amount of control of educational expenditures has been lost and with the loss of revenues from the state and from federal stimulus funds, more dollars need to be raised by the property tax to maintain the same level of services.

## Management's Discussion and Analysis- Continued

### Town of Orono, Maine

Current year expenditures on a budgetary basis were made up of the following:



Reviewing the expenditures by function, the trend noted in FY 2010 to dedicate a smaller percentage of the budget to education has continued. In both FY 2010 and FY 2011, education accounted for 37% of the budget. Actual tax dollars committed to education increased from \$4,386,304 in FY 2009 to \$4,732,546 in FY 2010. In FY 2011 tax dollars committed for education were \$4,907,218. Over three budget years the tax commitment for education increased by \$520,914. This is a 12% increase in tax dollars for the purpose of education over three budget cycles; nevertheless, when the budget is reviewed as a whole, education as a budgeted expenditure has decreased from a high of 47% in FY 2009 to 37% in both FY 2010 and 2011. Since the entire education burden is now borne by the property tax without any other offsetting revenues such as tuition or state aid to education included in the town budget, it becomes more meaningful to track the tax commitment for education rather than share of the budget. The relationships between the other major areas of municipal expenses by function have remained basically the same between FY 2010 and FY 2011. Public Works and General Government have increased their share of the budget by 1% each and debt service and county tax have decreased by 1% each. The major reason for the decrease in the debt service area of the budget is the refinancing that was accomplished in December, 2010. Over the next ten years, the amount saved for debt service will be almost \$1 million.

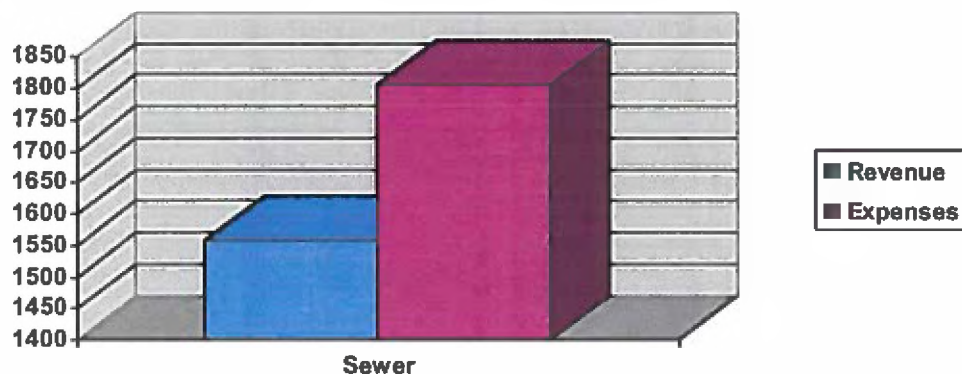
#### Business-type Activities

The fund that is classified as a proprietary fund is the WPCF Fund. The WPCF Fund ended the year with a cash balance of \$1,803,638, an increase of over \$96,000 from fiscal year 2010. The WPCF Fund had operating revenues from charges for services of \$1,559,389; operating expenses were \$1,392,245 thereby creating an operating profit of \$168,144. Nonoperating expenses included interest expense of \$415,269. This figure when combined with investment income of \$11,177 and other revenue of \$4,105 resulted in net revenues (expenses) totaling \$399,987. The resulting change in net assets for FY 2011 was (\$231,842). Net assets at the end of FY 2011 were \$6,036,390.

## Management's Discussion and Analysis- Continued

### Town of Orono, Maine

The favorable cash flow from operating activities meant that invested reserve funds were not needed to supply operating cash for FY 2011. Investments in reserve funds as well as cash on hand for operating expenses totaled \$1,803,648 at the end of the fiscal year. At the end of FY 2011, the debt retirement reserve fund had a balance of over \$636,000. The annual debt service expenditure to retire the almost \$10 million that was borrowed for the Treatment Plant update program and CSO Abatement is set at \$632,781 for the next 25 years. The debt retirement reserve fund will continue to earn interest until it is used in budget year 2036 to retire these bonds. Net assets for the WPCF Fund were \$6,035,390, of which \$1,872,736 were unrestricted. After a 6 year program of planned sewer rate increases, the trend begun in FY 2010 of maintaining a stable sewer rate continued in fiscal 2011. By following a course of gradual increases in sewer rates, the need for dramatic spikes to pay for the increased cost of debt retirement has been avoided. The Town anticipates that sewer rates will now remain stable or increase at a very moderate rate in the future. Capital expenditures both for equipment and sewer improvement projects will be funded from sewer user fees and not from additional borrowing for capital expenditures.



**Noteworthy Special Revenue/Trust/Capital Project Funds** include the Capital Equipment fund, the public works garage fund and the landfill closure fund. The Capital Equipment Reserve Fund is used to cover the cost of equipment purchased in a budget year. It is funded during each fiscal year by a designated appropriation within the operating budget as well as by transfers from the undesignated fund balance remaining at the end of the previous fiscal year. In FY 2011, additions to the fund net of transfers to cover purchases of capital equipment were \$113,589 resulting in a fund balance of \$943,176. Budgeted appropriations were made to three ongoing funds; the landfill closure fund, the town office computer system account, and the employee benefit account. A new reserve account was created to prepare for continuing needs at the Public Library which was completed in 2010. This fund is recognition that the Town's buildings have ongoing needs for improvements such as carpet replacement, heating and cooling system repairs, etc. Without reserve funds to cover these expenditures, they must be budgeted for in the operating budget to be paid for by tax dollars, frequently resulting in a spike in the demand for tax dollars in any one year. Without reserve accounts such as the one created for the public library, necessary improvements to the Town's buildings are not made in a timely fashion resulting in serious deterioration.

## **Management's Discussion and Analysis- Continued**

### **Town of Orono, Maine**

#### **General Fund Budgetary Highlights**

FY 2011 was once again noted for its fiscal restraint. At a time of decreasing revenues from sources such as State Revenue Sharing, the Town was able to end the year with a change in the fund balance of only (\$126,687) resulting in a fund balance of \$7,880,167. Total assets decreased by \$166,358; total liabilities decreased by \$71,245. The undesignated fund balance increased by \$241,000 over FY 2010.

Long term liabilities for general obligation debt, postemployment retirement obligations and compensated absences decreased by almost \$549,000 between 2010 and 2011. In December, 2010, the Town issued \$4,530,000 in general obligation bonds with interest rates ranging between 3% and 5.75%. The Town issued the bonds to refund \$4,530,000 of the outstanding 2000 general obligation bonds with an interest rate of 8.47%. The refunding reduced total debt service payments over the next ten years by approximately \$1 million. Budgeted revenues were \$77,391 more than anticipated; budgeted expenditures were \$963,122 less than budgeted. The town utilized undesignated surplus funds in the amount of \$595,000 and designated surplus funds in the amount of \$302,168 to balance the budget. Property tax revenues were approximately \$128,000 more than in FY 2010. This increase translated into slight increases for most homeowners. The increase in property taxes was less than in previous years but at a time of economic decline, any increase is unwelcome for the taxpayer. Capital outlays were approximately \$40,000 less than in FY 2010 continuing the trend noted in FY 2010. By continuing to make planned contributions to reserve funds such as the landfill closure account, it is hoped that much of the funds needed for this purpose will be available when the project is undertaken. It is well-known that the longer that capital and infrastructure needs are deferred, the more expensive it becomes to take care of them when they can be deferred no longer. The Town has anticipated bonding for the construction of the Town Garage; the money in the reserve fund is anticipated to be needed for possible purchase of land for the new facility and architectural and engineering efforts prior to actual construction. Annual allocations to the employee benefit fund will help the Town to meet the increased cost of benefits in two major areas: contributions to Maine PERS which will increase over the next several years to accommodate actuarial projections of reserves needed and the continued increase in the cost of health insurance. While a reserve fund such as the employee benefit fund can cushion the impact in the first two or three years of steep increases, ultimately, the full annual cost of these benefits will be borne by current revenues with property taxes making up shortfalls in areas such as State Revenue Sharing or state support of education which puts more of the burden for education on the local property tax.

#### **Capital Assets**

As of June 30, 2011, the Town of Orono's investment in capital assets for its governmental and business-type activities amounted to \$25.5 million (net of accumulated depreciation) compared to \$26.4 million last year. This investment includes land, buildings, machinery and equipment, roads, and sewer lines.

This year's major additions included a new copier for the Public Safety facility which is used by both the Police and Fire Departments; a fully-equipped police car; a skid steer loader with pavement grinder and snow blower attachments and a mowing tractor with broom for street cleaning and a snow blower.



## Management's Discussion and Analysis- Continued

### Town of Orono, Maine

Both of these versatile pieces of equipment are for use by the Public Works Department. Improvements for municipal buildings included resurfacing of the ramp in front of the fire bay and improving the problem of standing water in the municipal parking lot behind the Public Safety Building which had eroded the parking lot surface dramatically. After the grade changes, the area of the parking lot closest to the Public Safety and Municipal Buildings was paved.

In the area of streets and sidewalks, various projects involved major improvements to Page Place, work on Pine Street, and various storm water improvement projects.

	Governmental Activities		Business-type Activities		2011 Total	Increase (Decrease)
	2011	2010	2011	2010		
Land	\$ 2,838,776	\$ 2,838,776	\$ 44,573	\$ 44,573	\$ 2,883,349	\$ -
Construction in Progress	-	-	-	-	-	-
Buildings	13,299,515	13,299,515	-	-	13,299,515	-
Improvements	388,128	261,179	-	-	388,128	126,949.0
Wastewater drainage system	2,475,429	2,631,814	-	-	2,475,429	(156,385.0)
Equipment	1,338,108	1,275,885	-	-	1,338,108	62,223
Vehicles	2,613,645	2,609,315	-	-	2,613,645	4,330
Infrastructure	7,973,957	7,973,957	-	-	7,973,957	-
Utility property	-	-	17,559,745	17,374,088	17,559,745	185,657
Totals at cost	\$ 30,927,558	\$ 30,890,441	\$ 17,604,318	\$ 17,418,661	\$ 48,531,876	\$ 222,774
Total accum depreciation	19,369,936	18,733,473	3,736,164	3,179,930	23,106,100	1,192,697
Net Capital Assets	\$ 11,557,622	\$ 12,156,968	\$ 13,868,154	\$ 14,238,731	\$ 25,425,776	\$ (969,923)

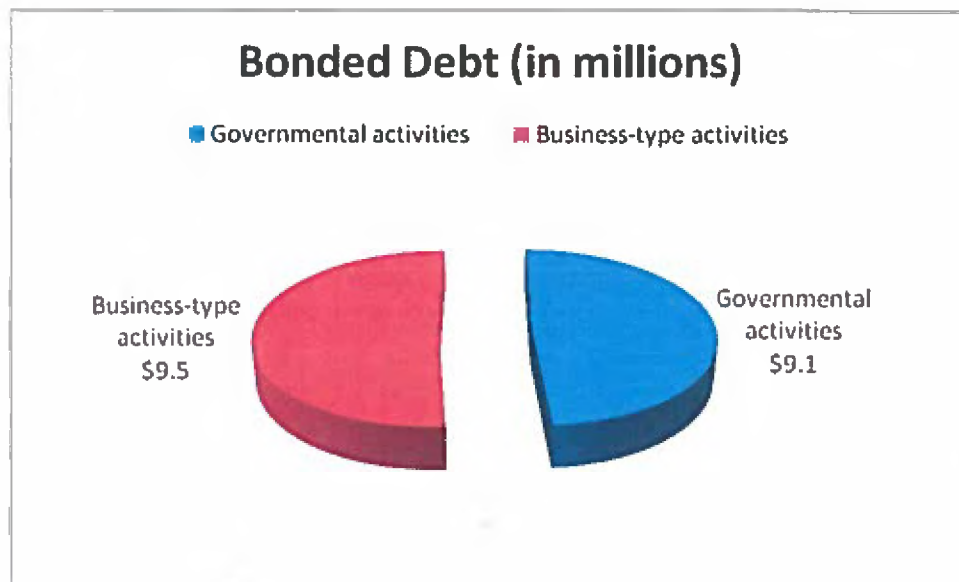
### Long Term Liabilities

At year-end, the Town had \$18,628,949 in outstanding bonds compared to \$19,428,032 last year.



## Management's Discussion and Analysis- Continued

### Town of Orono, Maine



In December, 2010, the Town issued \$4,530,000 in general obligation bonds with interest rates ranging between 3% and 5.75%. The bonds were divided into two lots, with \$325,000 maturing in five years (December, 2015) and \$4,205,000 maturing over ten years (December, 2020). These bonds were issued to refund \$4,530,000 of the outstanding 2000 general obligation bonds with an interest rate of 8.47%. The refunding reduced total debt service payments over the next 10 years by approximately \$1 million and resulted in an economic gain of approximately \$900,000. The Town's share of outstanding debt was 48.75% and the WPCF's share was 51.25%. Principal retired during the fiscal year totaled \$799,083. The \$4,530,000 general obligation bonds issued in 2010 represent the Town's indebtedness for the construction of the taxable physical facility to house a call center which is currently operated by Nexxlinx, a business process outsourcing and market services company headquartered in Atlanta, GA. The building is owned by the Orono Economic Development Corporation which receives rental income from Nexxlinx. The rent paid covers the cost of the bond principal and interest for the debt on the physical plant. Additional money needed for debt retirement is paid for by TIF revenues from Nexxlinx personal property taxes and real estate taxes of OEDC.

### ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The FY 2012 budget was the third budget that presented the school request as an allocation somewhat similar to the County Tax. Over the last three budget cycles, the expenses for education have increased by \$475,977. This increase was partially covered by the prepayment credit remaining to the Town for the payment of teacher salaries at the end of FY 2009. This prepayment credit ends with the FY 2012 budget and all increases requested from RSU 26 will have to be raised by increased revenues, more than likely by increased tax revenues. The operating budget decreased by 8.78%; the capital budget increased by 63.15%; non-capital TIF projects decreased by 49.45% and capital debt increased by 94.8%. The total increase for municipal operations was 17.6% or \$1,399,365. Anticipated revenues increased by 26.16% to cover the majority of these increases. The total for anticipated revenues, not including tax dollars was \$1,318,188 higher than in FY 2011. After all factors were considered, the

## **Management's Discussion and Analysis- Continued**

### **Town of Orono, Maine**

demand for tax dollars for municipal services decreased by \$12,400. The demand for increased tax dollars, therefore, was a result of an increase in the County Tax of \$20,063 and an increase in needed tax dollars for education in the amount of \$125,063. As was mentioned above, without the prepayment credit, the increase in taxes to cover the cost of education would have been much higher: \$354,731 or 7% more than in FY 2011. The increase in debt expenditures was offset by the refinancing package to cover the remaining bonded indebtedness from the 2000 general obligation bonds issued for the purpose of economic development; capital debt revenues increased by \$489,958 to cover the increase in debt payments of \$487,427.

The three major economic development projects undertaken in FY 2011 continue in the FY 2012 budget. These projects are the development of the old Webster Mill into condo units by a private developer with town assistance in site remediation paid for by grants from the EPA; the development of the central downtown site referred to as the Katahdin Site as a mixed use building housing a new branch of the University Credit Union and other retail enterprises with the possibility of underground parking; and the effort to develop an area off Kelley Road as an opportunity for business, housing and recreation. The funding for these projects come from a combination of TIF revenues, grants from the EPA and the SBA, private equity from the University Credit Union and ultimately the possibility of bonding on the part of the Town to create the parking necessary to support the increased economic activity in the downtown area at the Katahdin Site. The Economic Development account has increased by \$526,000 to reflect all these activities. Increased sources of revenue come from the Downtown TIF, a loan from the SBA and an additional Brownfields Clean-up grant.

The Public Works capital improvements budget increased by 43% or \$375,000. \$250,000 of the increase is to close the landfill, a project that has been anticipated for several years. Revenues to cover this expenditure are available in the Landfill closure reserve account. An additional \$100,000 in project costs are carry forwards from the FY 2011 budget to complete the Pine Street Reclaim, the Bennoch Road Culvert and the Main Street Intersection Signals Upgrade project which will be providing matching funds for the work done by the Maine DOT.

The debt retirement accounts both show increases of close to 50% but this is related to the refunding of the 2000 GOB funding which was originally undertaken to support the efforts of the Orono Economic Development Corporation to construct a building in the Orono Tech Park for EnviroNet Computer Services. The failure of EnviroNet resulted in the purchase of the business by Microdyne Outsourcing who remained the tenant until this year when Microdyne was purchased by Nexxlinx. The rent from this lease is used to pay the debt incurred for the construction of the building.

The budget for Employee Benefits was once again increased to reflect anticipated increases in health insurance premiums and an increase in the contribution rate to Maine PERS. The area of employee benefits will continue to increase as our working population ages and more employees seek retirement. The Board of Directors for Maine PERS has taken fiscally responsible steps to slowly raise the percentage paid by employers in order to ensure that the system which covers town and city employees throughout the state is completely funded.

Several budgets decreased such as the liability insurance which reflects the better than average

## **Management's Discussion and Analysis- Continued**

### **Town of Orono, Maine**

experience rating the Town has enjoyed in both the Workers Comp and general liability areas; the Fire Department budget which did not plan to make any capital purchases in FY 2012; Parks and Recreation reduced its capital needs with the completion of the Summer Street Park; and transfers to Capital Reserve accounts was reduced by \$10,000 with the decision to close the current cell at the landfill and open a new one relying on the reserve funds already set aside to cover the costs of these activities. Unspent funds at the end of any fiscal year that are not needed to complete ongoing projects that will be completed in the next budget year, are partially allocated to the Capital Reserve Fund. The goal is to be able to pay for capital equipment from the Reserve Fund rather than raising taxes for one-time purchases of major equipment such as a fire truck or an ambulance.

The general economic environment continued to be a cause for concern, especially in the area of anticipated revenues. The better than anticipated collections for excise taxes in FY 2011 encouraged an increase in the anticipated revenue in that area by \$15,000. Interest on delinquent taxes and tax lien penalties remained higher than anticipated due to one major tax payer that is delinquent more than two years in paying their property taxes. Ambulance fee estimates were raised as a result of much higher than expected collection rates in FY 2011. State revenue sharing was increased by over \$100,000, again as a result of higher than expected collections for FY 2011. The major areas of increased revenues were a result of new sources: the Small Business Administration Grant for the Kelley Road Business Park; additional funds for the Webster Mill Cleanup from the State DECD; transfers from the Downtown Transportation TIF to fund economic development specifically in the downtown area; a transfer from the Landfill Reserve for \$250,000 and from the Town Garage Reserve Fund for \$50,000. For the first time, a transfer from the Employee Benefits' Reserve Fund was planned for \$45,000 to offset the increased cost of Maine PERS. The final major new source of anticipated revenue was the inclusion of a \$510,000 revenue from the Orono Economic Development Corporation to cover the debt payment assumed by the Town as a result of the refinancing arrangement worked out in December, 2010.

FY 2012 is the third year of operation of RSU 26 and many of the anticipated savings from consolidation have yet to materialize. Even if the anticipated savings in such areas as administrative costs emerge in subsequent years, reductions in state aid to education will mitigate against the impact of those savings. A major concern for the budget for FY 2013 in regard to education is the loss of federal stimulus funds which have had a significant impact in keeping costs down for the local taxpayer in regard to education. FY 2013 also represents the first year when there will be no credit for the advanced payment of expenses as part of the start up costs for RSU 26. Savings were initially anticipated in reduced staffing in overlapping areas such as special education, cooperative purchasing and elimination of duplication in the school lunch program. These savings appear to be offset by the need to equalize teacher salaries from the three participating communities. The Town continues to provide major support services in the areas of snow removal, school crossing guides and the presence of a police officer in the schools. The school makes a contribution for both the school crossing guides and the D.A.R.E officer but does not fund the entire cost of either of these positions. With the anticipated loss of revenue from federal stimulus funds, the importance of state support of education and tuition revenues RSU 26 receives from other communities. For communities such as Orono which have a high school, the continued practice of choice for communities such as Glenburn and Veazie creates a serious challenge to attract as many tuition paying students from these communities and others in the area as possible in order to support a high standard secondary level education.

## **Management's Discussion and Analysis- Continued**

### **Town of Orono, Maine**

The total fund balance at the end of FY 2011 was down by \$126,687 resulting in a budgetary fund balance of \$8,036,552. The undesignated fund balance is \$3,108,520. This is a healthy balance which allows the Council some leeway in providing property tax relief by planned allocations from the undesignated fund balance. There is an estimated transfer from fund balance of over \$350,000 for FY 2012. It is important to note that funds that are not spent in excess of revenues collected collapse into the general fund balance at the end of every fiscal year. In FY 2011, anticipated expenditures were over \$900,000 less than budgeted which reflected careful planning and oversight on the part of Town management. With the creation of the Regional School Unit form of educational administration, the Town Council has lost a great deal of the oversight in the budget process that it once had and it will be essential that the school administration exercise restraint and fiscal responsibility in the preparation of budgets in the future. Municipalities throughout the country are faced with difficult choices at times of economic contraction and the ability to draw upon reserve funds to maintain key services and continue to support a healthy capital improvement program will continue to be as important in the future as it has been in the past. The prudent fiscal responsibility that the Town has shown over many budget cycles allows it to enjoy access to favorable rates to borrow money for such projects as the construction of the Town Garage which is anticipated in the FY 2013 budget.

The ambitious economic projects that were initiated in FY 2010 and continued in FY 2011 will come closer to completion in FY 2012. The former site of the Katahdin property was purchased by the University Credit Union for the purpose of constructing what will be the major branch of the credit union in downtown Orono. The construction of this building which will serve as a magnet for increased use of the downtown area will do much to aid in the revival of the downtown district. The Town will be exploring the best and most efficient way to provide expanded parking in this area which will accommodate the increased volume of traffic to the central business district. The provision of a shuttle between the downtown area and the University campus with numerous pick up points along the way has been an exceptionally successful undertaking and will continue for the immediate future. The Webster Mill Site is ready for construction and vigorous marketing efforts should provide the minimum committed buyers to allow the construction to commence in FY 2013. Removal of the building and remediation of the site has created an area with spectacular views of the river, one that will provide for an exceptionally attractive environment for development. This area of Orono is one that has become primarily student -occupied rental units over the last 10 or 15 years and it is hoped that the construction of Webster Point will have a positive impact and encourage more general upgrading of the properties in this area and attract families back into this area of town. The Kelley Road Interchange project is proceeding as planned with preliminary engineering and community input both providing the basic outline of what is desired in this area. A final project that will have a significant effect on taxable property values is the construction of the Grove, a 500+ bed commercial dormitory developed by Campus Crest Developers. This project is scheduled to be open in the fall of 2012 so the full effect of the new property value added to the tax rolls will not be felt until FY 2013 but it is possible that it will bring in as much as \$750,000 in additional tax revenues which will allow for general property tax relief for Orono tax payers.

Government exists to provide services for its citizens. Many of these services are delivered so efficiently and quietly that the average resident is not aware of them unless there is a need such as a call

## **Management's Discussion and Analysis- Continued**

### **Town of Orono, Maine**

to 911 for an ambulance or a police officer. Services such as keeping the roads open in the middle of a major snowstorm are more visible to residents but the many other tasks that the public works department performs during the entire year are also important. The goal of local government in particular is to provide services as efficiently and effectively as possible. Local government is by far the most visible to the tax payer and is the one most responsive to the expectations of recipients of the services provided. Orono provides a very wide range of services that its residents have come to expect. At times of economic downturn, the problem of continuing to provide the same level of service with no means to increase revenues other than increasing the property tax becomes exceptionally challenging. As the home of the University of Maine, the largest campus in the state university system, more than 50% of the property in Orono is tax exempt. The University has consistently made a generous contribution in lieu of taxes to the Town but there is always some level of concern that this contribution will be affected by the state's support of the University. The Town will continue to provide both fire and code enforcement services, particularly in the area of life safety to the University but the ability to provide such labor and equipment-intensive services will be made more difficult with reduced financial support.

Residents of Orono have made a commitment to live in a community that provides a high level of services in a setting that offers unique cultural and educational opportunities. Some of the expectations for services include a high-quality public education system; a public library; a senior citizen center that is accessible and welcoming and provides a place for seniors to meet four days a week for a nourishing, inexpensive midday meal and to socialize and decrease the isolation that frequently comes with advancing years and the loss of mobility; a public works department that efficiently handles snow removal and spring cleanup and maintains the roads that enable the efficient movement of commuters who work in Orono as well as those who live here year round; and a public safety department that provides police, fire and ambulance services. Orono is the vibrant, attractive community that it is partially because of the presence of the University of Maine but it is also a community that relies on residential property for over 90% of its tax revenue partly because of the tax exempt status of the University. In addition, the demand for services is higher than in the typical Maine community of 10,000 because of the large number of people living and working on campus. The demand for public safety personnel frequently includes a demand for highly trained hazardous materials responders as well as the more traditional police, fire and EMS functions. Heavy stream of commuters in and out of Orono daily necessitates that the Public Works Department will be able to keep the main arteries open and passable under all manner of weather conditions. The University is also the single largest user of the Water Pollution Control Facility and was the major reason for increasing the capacity of the treatment plant. While it is easy to cite the challenges of the University in the community, it is also important to note that college towns tend to do better during economic downturns because students continue to seek their services. It has been noted that the one of the primary economic activities of Orono is the provision of rental housing, a need which remains fairly constant over time.

In summary, the demand for services of a high quality will continue with the possibility of a sharper competition for resources between the town and education. The savings promised by school consolidation have yet to be seen and the removal of the school as a department of the town in the budgetary process has made communication less effective. Revenues other than those raised by taxes will remain relatively flat until the economy recovers and begins to show evidence of growth. There are promising developments in the area of property tax relief with the construction of a second commercial

## **Management's Discussion and Analysis- Continued**

### **Town of Orono, Maine**

dormitory complex and the development of the Katahdin site by the University Credit Union. Neither of these projects will be completed for fiscal 2013, but both indicate positive growth for the future. In the area of investment in infrastructure, the Town has made significant increases in the last seven years and is about to embark on two major capital projects: the construction of a new town garage and a downtown parking structure to support the commercial development of the Katahdin site by the University Credit Union. Both will require bonding but the Town's capacity to borrow at a favorable rate was improved by the upgrading of its bond rating by Moody's Investment Services in November, 2009 from A2 to A3. Moody's cited the strength of the Town's financial policies, healthy reserves and undesignated fund balances and our role as the home of the University of Maine as reasons for the improved rating. The cost of energy for the maintenance of the Town's buildings has remained relatively stable over the last two budget cycles but the budget for FY 2012 includes plans to convert the Senior Center Building to natural gas and there are plans to do the same for the Public Library. The Town completed a general retooling of its lighting system for all buildings with the help of grant money from Efficiency Maine in FY 2011 in another effort to control the cost of energy. What is beyond its control is the cost of gasoline and diesel fuel used by its fleet of vehicles which affects the operating budgets of Public Safety and Public Works. The 2011 budget analyzed in these pages was able to deal with the challenges presented by the realities of the third year of an economic downturn without sacrificing municipal services. This is a key achievement of the Town when one considers the diversity and level of services offered with a work force that has remained stable in terms of number of employees through the last 6 budget cycles. Local government is less isolated from those who use its services and from those who pay for those services in the tax bills they receive than larger units of government. The challenge of remaining fiscally responsible while also providing the services expected by its residents has been met by a combination of prudent policies and practices,

### **CONTACTING THE TOWN'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the Town's finances and to show the Town's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Town Office at 59 Main Street, Orono, Maine or call 866-2556. Citizens are welcome to visit with the appropriate staff on any financial matters.

# Statement of Net Assets

## Town of Orono, Maine

As of June 30, 2011

	Governmental Activities	Business-type Activities	Total
<b>Assets</b>			
Cash and cash equivalents	\$ 6,575,091	\$ 1,803,638	\$ 8,378,729
Investments	303,218	-	303,218
Taxes receivable	50,867	-	50,867
Tax liens	393,943	-	393,943
Accounts receivable, net	414,057	255,844	669,901
Notes receivable	3,642,000	-	3,642,000
Receivables for long-term obligations from RSU #26	463,750	-	463,750
Prepaid expenses paid to RSU #26	369,101	-	369,101
Tax acquired property	2,042	-	2,042
Capital assets, net of accumulated depreciation	11,557,622	13,868,154	25,425,776
<b>Total Assets</b>	<b>23,771,691</b>	<b>15,927,636</b>	<b>39,699,327</b>
<b>Liabilities</b>			
Accounts payable	63,370	2,651	66,021
Accrued interest payable	128,942	327,254	456,196
Accrued wages	54,055	-	54,055
Taxes collected in advance	7,263	-	7,263
Performance bond deposits	119,446	-	119,446
Long-term liabilities:			
Portion due or payable within one year:			
Bonds payable	691,008	219,407	910,415
Accrued compensated absences	167,648	13,226	180,874
Portion due or payable after one year:			
Bonds payable	8,389,827	9,328,707	17,718,534
Other postemployment benefits obligation	165,647	-	165,647
<b>Total Liabilities</b>	<b>9,787,206</b>	<b>9,891,245</b>	<b>19,678,451</b>
<b>Net Assets</b>			
Invested in capital assets, net of related debt	7,006,787	4,320,040	11,326,827
Unrestricted	6,977,698	1,716,351	8,694,049
<b>Total Net Assets</b>	<b>\$ 13,984,485</b>	<b>\$ 6,036,391</b>	<b>\$ 20,020,876</b>

See accompanying independent auditors' report and notes to the financial statements.

# Statement of Activities

## Town of Orono, Maine

For the Year Ended June 30, 2011

Function/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities	Total
<b>Governmental Activities:</b>						
General government	\$ 1,621,592	\$ 90,931	\$ -	\$ (1,530,661)		\$ (1,530,661)
Public services	741,725	71,328	-	(670,397)		(670,397)
Public safety	2,758,120	319,901	-	(2,438,219)		(2,438,219)
Public works	1,997,210	-	89,284	(1,907,926)		(1,907,926)
Education	4,907,218	-	-	(4,907,218)		(4,907,218)
County tax	463,446	-	-	(463,446)		(463,446)
Miscellaneous	172,671	-	-	(172,671)		(172,671)
Interest on long-term debt	549,827	-	-	(549,827)		(549,827)
<b>Total Governmental Activities</b>	<b>13,211,809</b>	<b>482,160</b>	<b>89,284</b>	<b>(12,640,365)</b>		<b>(12,640,365)</b>
<b>Business-type Activities:</b>						
Sewer Services	1,391,244	1,559,389	-	-	168,145	168,145
<b>Total Business-type Activities</b>	<b>1,391,244</b>	<b>1,559,389</b>	<b>-</b>	<b>-</b>	<b>168,145</b>	<b>168,145</b>
<b>Total Primary Government</b>	<b>\$ 14,603,053</b>	<b>\$ 2,041,549</b>	<b>\$ 89,284</b>	<b>(12,640,365)</b>	<b>168,145</b>	<b>(12,472,220)</b>
<b>General revenues:</b>						
Taxes				9,336,845	-	9,336,845
Intergovernmental				2,160,836	-	2,160,836
Investment income (net interest expense)				376,149	(399,987)	(23,838)
Miscellaneous				627,941	-	627,941
Loss on disposal of capital assets				(1,429)	-	(1,429)
<b>Total General Revenues</b>				<b>12,500,342</b>	<b>(399,987)</b>	<b>12,100,355</b>
<b>Change in Net Assets</b>				<b>(140,023)</b>	<b>(231,842)</b>	<b>(371,865)</b>
Net assets at beginning of year				14,124,508	6,268,233	20,392,741
<b>Net Assets at End of Year</b>				<b>\$ 13,984,485</b>	<b>\$ 6,036,391</b>	<b>\$ 20,020,876</b>

See accompanying independent auditors' report and notes to the financial statements.



## Balance Sheet - Governmental Funds

### Town of Orono, Maine

As of June 30, 2011

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets</b>			
Cash and cash equivalents	\$ 6,369,383	\$ 205,708	\$ 6,575,091
Investments	-	303,218	303,218
Taxes receivable	50,867	-	50,867
Tax liens	393,943	-	393,943
Accounts receivable, net	414,057	-	414,057
Notes receivable	3,642,000	-	3,642,000
Prepaid expenses paid to RSU #26	369,101	-	369,101
Due from other funds	-	19,071	19,071
Tax acquired property	<u>2,042</u>	<u>-</u>	<u>2,042</u>
<b>Total Assets</b>	<b>\$ 11,241,393</b>	<b>\$ 527,997</b>	<b>\$ 11,769,390</b>
<b>Liabilities and Fund Balances</b>			
<b>Liabilities</b>			
Accounts payable	\$ 63,370	\$ -	\$ 63,370
Accrued wages	54,055	-	54,055
Accrued compensated absences	167,648	-	167,648
Taxes collected in advance	7,263	-	7,263
Due to other funds	19,071	-	19,071
Deferred tax revenue	390,000	-	390,000
Performance bond deposits	<u>119,446</u>	<u>-</u>	<u>119,446</u>
<b>Total Liabilities</b>	<b>820,853</b>	<b>-</b>	<b>820,853</b>
<b>Fund Balances</b>			
Nonspendable			
General fund	4,168,894	-	4,168,894
Assigned			
General fund	3,143,126	-	3,143,126
Special revenue funds	-	527,997	527,997
Unassigned			
General fund	<u>3,108,520</u>	<u>-</u>	<u>3,108,520</u>
<b>Total Fund Balances</b>	<b>10,420,540</b>	<b>527,997</b>	<b>10,948,537</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 11,241,393</b>	<b>\$ 527,997</b>	<b>\$ 11,769,390</b>

See accompanying independent auditors' report and notes to the financial statements.

**Reconciliation of Governmental Funds Balance Sheet  
to the Statement of Net Assets**

**Town of Orono, Maine**

**As of June 30, 2011**

**Total Fund Balances - Governmental Funds** \$ 10,948,537

Amounts reported for governmental activities in the Statement of  
Net Assets are different because:

Property tax revenues are presented on the modified accrual basis  
of accounting in the governmental funds but in the Statement of  
Activities, property tax revenue is reported under the accrual method.  
The balance in deferred property tax revenue in the governmental  
funds as a liability is: 390,000

Long-term assets are not available in the current period and therefore  
are not reported as assets in the funds. The Receivable for long-term  
obligations from RSU #26 at year-end was: 463,750

Capital assets used in governmental activities are not financial  
resources and therefore are not reported as assets in governmental  
funds. The cost of capital assets, net of accumulated depreciation is: 11,557,622

Long-term liabilities are not due and payable in the current period  
and therefore are not reported as liabilities in the funds. Long-term  
liabilities at year-end consist of:

Bonds payable	\$ (9,080,835)	
Other postemployment benefits obligation	(165,647)	
Accrued interest payable	<u>(128,942)</u>	
		<u>(9,375,424)</u>

**Total Net Assets - Governmental Activities** \$ 13,984,485

See accompanying independent auditors' report and notes to the financial statements.

**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**

**Town of Orono, Maine**

**For the Year Ended June 30, 2011**

	General	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>			
Taxes	\$ 9,411,845	\$ -	\$ 9,411,845
Intergovernmental	2,316,370	-	2,316,370
User fees	162,259	-	162,259
Investment income	373,486	2,663	376,149
Miscellaneous	940,598	7,244	947,842
<b>Total Revenues</b>	<b>13,204,558</b>	<b>9,907</b>	<b>13,214,465</b>
<b>Expenditures</b>			
Current -			
General government	1,516,231	-	1,516,231
Public services	668,198	-	668,198
Public safety	2,589,039	-	2,589,039
Public works	1,888,377	-	1,888,377
Education	4,907,218	-	4,907,218
County tax	463,446	-	463,446
Miscellaneous	6,625	7,227	13,852
Debt service - principal	588,778	-	588,778
- interest	571,947	-	571,947
Capital outlays	91,991	25,929	117,920
<b>Total Expenditures</b>	<b>13,291,850</b>	<b>33,156</b>	<b>13,325,006</b>
<b>Revenues Under Expenditures</b>	<b>(87,292)</b>	<b>(23,249)</b>	<b>(110,541)</b>
<b>Other Financing Sources (Uses)</b>			
Proceeds of refunding bonds	4,530,000	-	4,530,000
Debt service - principal	(4,530,000)	-	(4,530,000)
Village Center District	(7,821)	-	(7,821)
<b>Total Other Financing Uses</b>	<b>(7,821)</b>	<b>-</b>	<b>(7,821)</b>
<b>Revenues and Other Sources Under Expenditures and Other Uses</b>	<b>(95,113)</b>	<b>(23,249)</b>	<b>(118,362)</b>
Fund balances at beginning of year, as previously stated	10,359,268	551,246	10,910,514
Prior period adjustment	156,385	-	156,385
Fund balances at beginning of year, as restated	10,515,653	551,246	11,066,899
<b>Fund Balances at End of Year</b>	<b>\$ 10,420,540</b>	<b>\$ 527,997</b>	<b>\$ 10,948,537</b>

See accompanying independent auditors' report and notes to the financial statements.

# Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities

## Town of Orono, Maine

As of June 30, 2011

<b>Net Change in Fund Balances - Total Governmental Funds</b>		<b>\$ (118,362)</b>
Amounts reported for governmental activities in the Statement of Activities are different because:		
Property tax revenues are presented on the modified accrual basis of accounting in the governmental funds but in the Statement of Activities, property tax revenue is reported under the accrual method. The current year change in deferred property tax revenue reported in the governmental funds and not in the Statement of Activities is:		(75,000)
Governmental funds report capital asset additions as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation differed from capital asset additions in the current period:		
Capital asset additions, net of assets placed in service	\$ 214,348	
Depreciation expense	<u>(650,012)</u>	(435,664)
Governmental funds report the sale of capital assets as revenues. However, in the Statement of Activities, the sale of those assets is recognized as a gain or loss, depending on the sale and accumulated depreciation amounts:		
Proceeds on sale of capital assets	(5,868)	
Loss on sale of capital assets	<u>(1,429)</u>	(7,297)
Governmental funds report the long-term obligation payments made by RSU #26 on behalf of the Town as revenues. However, in the Statement of Activities, these amounts are reported as a reduction of the receivable from RSU #26:		(66,250)
Bond proceeds, issuance of long-term debt and entering into capital lease obligations provide current resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of debt and capital lease obligation principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. This is the amount by which repayments differed from proceeds and additions to capital lease obligations in the current period:		
Principal portion of debt service payments	<u>588,778</u>	588,778
Some items reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported in the governmental funds. These items were as follows:		
Change in other postemployment benefits obligation	(48,348)	
Change in accrued interest payable	<u>22,120</u>	(26,228)
<b>Change in Net Assets of Governmental Activities</b>		<b>\$ (140,023)</b>

See accompanying independent auditors' report and notes to the financial statements.

**Statement of Revenues, Expenditures and Changes in Fund Balance  
Budget and Actual - General Fund**

**Town of Orono, Maine**

**For the Year Ended June 30, 2011**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
				<u>Positive</u>
				<u>(Negative)</u>
<b>Revenues</b>				
Taxes	\$ 9,251,673	\$ 9,251,673	\$ 9,411,845	\$ 160,172
Licenses and permits	164,175	164,175	162,259	(1,916)
Intergovernmental	2,409,414	2,409,414	2,316,370	(93,044)
Investment income	349,450	349,450	355,428	5,978
Miscellaneous	929,414	929,414	935,615	6,201
<b>Total Revenues</b>	<b>13,104,126</b>	<b>13,104,126</b>	<b>13,181,517</b>	<b>77,391</b>
<b>Expenditures</b>				
Current -				
General government	1,834,787	1,834,787	1,477,766	357,021
Public services	781,277	781,277	668,198	113,079
Public safety	2,719,231	2,719,231	2,589,039	130,192
Public works	2,001,149	2,001,149	1,888,377	112,772
Education	4,907,218	4,907,218	4,907,218	-
County tax	463,446	463,446	463,446	-
Miscellaneous	-	-	6,625	(6,625)
Debt service - principal	588,778	588,778	588,778	-
- interest	576,447	576,447	571,947	4,500
Capital outlays	344,174	344,174	91,991	252,183
<b>Total Expenditures</b>	<b>14,216,507</b>	<b>14,216,507</b>	<b>13,253,385</b>	<b>963,122</b>
<b>Revenues Over (Under) Expenditures</b>	<b>(1,112,381)</b>	<b>(1,112,381)</b>	<b>(71,868)</b>	<b>1,040,513</b>
<b>Other Financing Sources (Uses)</b>				
Transfer to (from) assigned fund balances	274,255	274,255	(46,998)	(321,253)
Proceeds of refunding bonds	-	-	4,530,000	4,530,000
Debt service - principal	-	-	(4,530,000)	(4,530,000)
Village Center District	(7,821)	(7,821)	(7,821)	-
Overlay	(51,221)	(51,221)	-	51,221
Utilization of unassigned balance	595,000	595,000	-	(595,000)
Utilization of assigned balance	302,168	302,168	-	(302,168)
<b>Total Other Financing Sources (Uses)</b>	<b>1,112,381</b>	<b>1,112,381</b>	<b>(54,819)</b>	<b>(1,167,200)</b>
<b>Revenues and Other Sources Under</b>				
<b>Expenditures and Other Uses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>(126,687)</b>	<b>\$ (126,687)</b>
Budgetary fund balance at beginning of year, as previously stated			8,006,854	
Prior period adjustment			156,385	
Budgetary fund balance at beginning of year, as restated			<u>8,163,239</u>	
<b>Budgetary Fund Balance at End of Year</b>			<u><b>\$ 8,036,552</b></u>	

See accompanying independent auditors' report and notes to the financial statements.

**Statement of Net Assets**  
**Proprietary Funds - Enterprise Funds**

**Town of Orono, Maine**

**As of June 30, 2011**

	Sewer Fund
<b>Assets</b>	
Cash and cash equivalents	\$ 1,803,638
Accounts receivable	69,844
Accounts receivable - unbilled	186,000
Accounts receivable - other	-
Due from other funds	-
<b>Total Current Assets</b>	<u>2,059,482</u>
<b>Capital Assets</b>	
Property, plant and equipment, net	13,868,154
<b>Total Assets</b>	<u>15,927,636</u>
<b>Liabilities</b>	
Accounts payable	2,651
Accrued expenses	13,226
Bond interest payable	327,254
Bonds payable	219,407
<b>Total Current Liabilities</b>	<u>562,538</u>
Bonds payable, less current portion	9,328,707
<b>Total Liabilities</b>	<u>9,891,245</u>
<b>Net Assets</b>	
Invested in capital assets, net of related debt	4,320,040
Unrestricted	1,716,351
<b>Total Net Assets</b>	<u><u>\$ 6,036,391</u></u>

See accompanying independent auditors' report and notes to the financial statements.

**Statement of Revenues, Expenses and Changes in Net Assets**  
**Proprietary Funds - Enterprise Funds**

**Town of Orono, Maine**

**For the Year Ended June 30, 2011**

	<u>Sewer Fund</u>
<b>Operating Revenues</b>	
Charges for services	\$ 1,559,389
<b>Total Operating Revenues</b>	<u>1,559,389</u>
<b>Operating Expenses</b>	
Personnel	353,973
Contract services	244,508
Supplies, maintenance and repairs	46,651
Utilities	129,110
Depreciation	556,234
Miscellaneous	60,768
<b>Total Operating Expenses</b>	<u>1,391,244</u>
<b>Operating Income</b>	168,145
<b>Nonoperating Revenues (Expenses)</b>	
Investment income	11,177
Other revenue	4,105
Interest expense	(415,269)
Loss on disposal of capital assets	-
<b>Net Nonoperating Revenues (Expenses)</b>	<u>(399,987)</u>
<b>Net Change in Net Assets</b>	(231,842)
Net assets at beginning of year	<u>6,268,233</u>
<b>Net Assets at End of Year</b>	<u>\$ 6,036,391</u>

See accompanying independent auditors' report and notes to the financial statements.

**Statement of Cash Flows**  
**Proprietary Funds - Enterprise Funds**

**Town of Orono, Maine**

**For the Year Ended June 30, 2011**

	<u>Sewer Fund</u>
<b>Cash Flows from Operating Activities</b>	
Receipts from customers and users	\$ 1,807,180
Payments to suppliers	(708,370)
Payments to employees	(355,418)
Payments from other funds	156,385
<b>Net Cash Provided by Operating Activities</b>	<u>899,777</u>
<b>Cash Flows from Capital and Related Financing Activities</b>	
Acquisition of capital assets	(185,657)
Disposal of capital assets	-
Repayment of debt obligation	(210,305)
Interest on bonds	(422,475)
<b>Net Cash Used by Capital and Related Financing Activities</b>	<u>(818,437)</u>
<b>Cash Flows from Investing Activities</b>	
Interest on cash and investments	15,282
<b>Net Cash Provided by Investing Activities</b>	<u>15,282</u>
<b>Increase in Cash</b>	96,622
Cash at beginning of year	<u>1,707,016</u>
<b>Cash at End of Year</b>	<u>\$ 1,803,638</u>
<b>Reconciliation of Operating Income (Loss) to</b>	
<b>Net Cash Provided (Used) by Operating Activities:</b>	
Operating income	\$ 168,145
Adjustment to reconcile changes in operating income to	
net cash provided by operating activities:	
Depreciation	556,234
Decrease in operating assets:	
Accounts receivable	247,791
Due from other funds	156,385
Decrease in operating liabilities:	
Accounts payable	(227,333)
Accrued expenses	(1,445)
<b>Net Cash Provided by Operating Activities</b>	<u>\$ 899,777</u>
<b>Supplemental Disclosure of Cash Flow Information</b>	
Interest paid	<u>\$ 422,475</u>

See accompanying independent auditors' report and notes to the financial statements.



## **Notes to Financial Statements**

### **Town of Orono, Maine**

#### **Note A - Summary of Significant Accounting Policies**

The accounting policies of the Town of Orono (the Town) conform to United States generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. Although the Town has the option to apply FASB pronouncements issued after that date to its business-type activities and enterprise funds, the Town has chosen not to do so. The more significant accounting policies established in GAAP and used by the Town are discussed below.

#### **Financial Reporting Entity**

The Town was incorporated in 1806 and currently operates under a Council - Manager form of government. The basic financial statements include the accounts of all Town operations. The criteria for including organizations as component units within the Town's reporting entity, as set forth in GAAP include whether:

- the organization is legally separate (can sue and be sued in their own name)
- the Town holds the corporate powers of the organization
- the Town appoints a voting majority of the organization's board
- the Town is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the Town
- there is fiscal dependency by the organization on the Town

Based on the aforementioned criteria, the Town of Orono has no component units.

#### **Basis of Presentation**

##### **Government-wide Financial Statements**

The statement of net assets and statement of activities report information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for services for support.

## Notes to Financial Statements - Continued

### Town of Orono, Maine

#### Note A - Summary of Significant Accounting Policies - Continued

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. The Town does not allocate indirect expenses to functions in the statement of activities. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported as general revenues.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the Government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

#### Fund Financial Statements

Fund financial statements of the reporting entity are organized into funds each of which are considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts, which constitute its assets, liabilities, fund equity, revenues, and expenditures.

#### Governmental Activities

Governmental funds are identified as either general, special revenue, capital projects, or permanent funds based upon the following guidelines.

The *General Fund* is the operating fund of the Town and is always classified as a major fund. It is used to account for all financial resources except those required to be accounted for in another fund.

*Special Revenue Funds* are used to account for the proceeds of specific sources (other than major capital projects or expendable trusts) that are legally restricted to expenditures for specified purposes.

#### Proprietary (Business-type) Activities

The focus of proprietary fund measurement is upon determination of operating income, changes in net assets, financial position, and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector.

## Notes to Financial Statements - Continued

### Town of Orono, Maine

#### Note A - Summary of Significant Accounting Policies - Continued

*Enterprise Funds* are required to be used to account for operations for which a fee is charged to external users for goods or services and the activity (a) is financed with debt that is solely secured by a pledge of net revenues, (b) has third party requirements that cost of providing services, including capital costs, be recovered with fees and charges, or (c) establishes fees and charges based on a pricing policy designed to recover similar costs.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the Town's proprietary funds are charges to customers for sales and services; operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted resources first, then unrestricted resources as they are needed.

#### **Basis of Accounting**

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting is related to the timing of the measurements made, regardless of the measurement focus applied.

#### **Accrual**

Both governmental and business-type activities in the government-wide financial statements and the proprietary and fiduciary fund financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

#### **Modified Accrual**

Governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or within 60 days after year end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt is recognized when due.

## **Notes to Financial Statements - Continued**

### **Town of Orono, Maine**

#### **Note A - Summary of Significant Accounting Policies - Continued**

##### **Cash and Cash Equivalents**

For purposes of the statement of cash flows, the Town considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

##### **Investments**

The Town follows GASBS No. 31, Accounting and Reporting of Certain Investments and External Investment Pools. Under GASBS No. 31, certain investments held by governments are reported at their fair value in the balance sheet. Unrealized gains and losses are included in the statement of revenues, expenditures and changes in fund balance.

##### **Inventories**

Inventories of supplies are considered to be expenditures at the time of purchase.

##### **Capital Assets**

In the government-wide financial statements, capital assets purchased or acquired with an original cost of \$5,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line method. Estimated useful lives are as follows: land improvements, 15 to 20 years; buildings and improvements, 20 to 50 years; infrastructure, 5 to 60 years; and vehicles and equipment, 3 to 15 years.

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets are not capitalized and related depreciation is not reported in the fund financial statements.

##### **Vacation and Sick Leave**

Under the terms of personnel policies and union contracts, vacation and sick leave are granted in varying amounts according to length of service. The Town accrues unpaid vacation and sick leave when earned (or estimated to be earned) by the employee. The noncurrent portion (the amount estimated to be used in subsequent fiscal years) for governmental funds is maintained separately and represents a reconciling item between the fund and government-wide presentation.

##### **Budget**

Budgets are formally adopted for the General Fund each year and are prepared on a basis consistent with generally accepted accounting principles (GAAP) except for certain salary and compensated absence accruals which are budgeted on the cash basis. The legal level of budgetary control (level at which expenditures may not legally exceed appropriations without seeking approval of the Council) is the department. Within each department's budget, the department head has the authority to amend line items provided the department total remains constant. Unless approved by Council, all unexpended General Fund budgetary accounts lapse at the close of the fiscal year.

## **Notes to Financial Statements - Continued**

### **Town of Orono, Maine**

#### **Note A - Summary of Significant Accounting Policies - Continued**

##### **Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

##### **Interfund Activity**

Interfund activity is reported as loans, reimbursements, or transfers. Loans are reported as interfund loan receivables and payables as appropriate and are subject to elimination upon consolidation in the government-wide presentation. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related costs as a reimbursement. Since not all funds maintain a separate cash account, cash is pooled in the General Fund cash account and activity for individual funds are recorded through the General Fund and each respective individual fund through the recognition of a "due to/due from" as appropriate. The due to/from other funds balances are subject to elimination upon consolidation in the government-wide presentation. All interfund transactions are treated as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

##### **Long-Term Obligations**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

##### **Debt Issuance Costs**

In governmental funds, debt issuance costs are recognized in the current period. For the government-wide financial statements, governmental activity debt issuance costs are amortized over the life of the debt issue.

## Notes to Financial Statements - Continued

### Town of Orono, Maine

#### Note A - Summary of Significant Accounting Policies - Continued

##### **Revenue Recognition - Property Taxes**

The Town's property tax for the current year was levied August 17, 2010, on the assessed value listed as of April 1, 2010, for all real and personal property located in the Town. Taxes were due September 24, 2010, and February 11, 2011. Interest on unpaid taxes commenced on September 25, 2010, and February 12, 2011, at 7% per annum.

Property tax revenues are recognized when they become available. Available includes those property tax receivables expected to be collected within sixty days after year end. The remaining receivables have been recorded as deferred revenues.

The Town is permitted by the laws of the State of Maine to levy taxes up to 105% of its net budgeted expenditures for the related fiscal period. The amount raised in excess of 100% is referred to as overlay, and amounted to \$51,221 for the year ended June 30, 2011.

Tax liens are placed on real property within twelve months following the tax commitment date if taxes are delinquent. The Town has the authority to foreclose on property eighteen months after the filing of the lien if tax liens and associated costs remain unpaid.

##### **Government-wide Fund Net Assets**

Government-wide net assets are divided into three components:

*Invested in capital assets, net of related debt* - consist of the historical cost of capital assets less accumulated depreciation and less any debt that remains outstanding that was used to finance those assets.

*Restricted net assets* - consist of net assets that are restricted by the Town's creditors (for example, through debt covenants), by the state enabling legislation (through restrictions on shared revenues), by grantors (both federal and state), and by other contributors.

*Unrestricted* - All other net assets are reported in this category.

##### **Governmental Fund Balances**

In the governmental fund financial statements, fund balances are classified as follows:

*Nonspendable* - resources which cannot be spent because they are either a) not in spendable form or; b) legally or contractually required to be maintained intact.

*Restricted* - resources with constraints placed on the use of resources are either a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or b) imposed through constitutional provisions or enabling legislation.

## Notes to Financial Statements - Continued

### Town of Orono, Maine

#### Note A - Summary of Significant Accounting Policies - Continued

*Committed* - resources which are subject to limitations the government imposes upon itself at its highest level of design making, and that remain binding unless removed in the same manner.

*Assigned* - resources neither restricted nor committed for which a government has a stated intended use as established by the Town Council or a body or official to which the Town Council has designated the authority to assign amounts for specific purposes.

*Unassigned* - resources which cannot be properly classified in one of the other four categories.

#### Use of Restricted Resources

The Town has a formal fund balance policy. For purposes of fund balance classification, expenditures are to be spent from restricted fund balance first, followed in order by committed fund balance, assigned fund balance and lastly unassigned fund balance.

#### New Accounting Pronouncements

During the year ended June 30, 2011 the Town implemented Governmental Accounting Standards Board Statement (GASBS) No. 54 *Fund Balance Reporting and Governmental Fund Type Definitions*. Certain prior year fund balance amounts have been restated to reflect the provisions of GASBS No. 54.

#### Note B - Cash and Investments

The Town conducts all its banking and investment transactions with depository banks and investment firms.

#### Custodial Credit Risk - Deposits

At June 30, 2011, the carrying amount of the Town's deposits was \$8,378,729, and the bank balance was \$8,667,407. The difference between these balances relates to deposits in transit and outstanding checks. Custodial credit risk is the risk that in the event of a bank failure, the Town's deposits may not be returned to it. The Town has a deposit policy on custodial credit risk. As of June 30, 2011, \$3,208,102 of the Town's bank balance of \$8,667,407 was exposed to credit risk as follows:

Uncollateralized	\$ 190,064 *
Collateralized with securities held by the pledging financial institution	\$ 3,018,038

## Notes to Financial Statements - Continued

### Town of Orono, Maine

#### Note B - Cash and Investments - Continued

##### Investments

Maine statutes authorize the Town to invest in obligations of the U.S. Treasury and U.S. agencies, repurchase agreements, certain corporate stocks, bonds and mutual funds.

##### Interest Rate Risk

In accordance with the Town's investment policy, to the extent possible, investment maturities will be matched with anticipated cash requirements. At June 30, 2011, the Town had the following investments and maturities:

<u>Investment Types</u>	<u>Fair Value</u>	<u>Not Applicable</u>	<u>Maturity</u>		
			<u>Less than 1 year</u>	<u>1-5 years</u>	<u>More than 5 years</u>
U.S. Government bonds	\$ 288,308	\$ -	\$ 181,582	\$ 106,726	\$ -
Common stock	14,910	14,910	-	-	-
	<u>\$ 303,218</u>	<u>\$ 14,910</u>	<u>\$ 181,582</u>	<u>\$ 106,726</u>	<u>\$ -</u>

##### Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Town will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. In accordance with the Town's investment policy, the securities are required to be held by a third party custodian. As of June 30, 2011 the Town had no investments subject to custodial credit risk.

##### Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. In accordance with the Town's investment policy, credit risk is minimized by limiting the types of investments the Town may hold.

##### Concentration of Credit Risk

In accordance with the Town's investment policy, concentration of credit risk is minimized by diversifying investments held.



## Notes to Financial Statements - Continued

### Town of Orono, Maine

#### Note C - Notes Receivable

The Town had entered into agreements to loan \$7,800,000 for the purpose of creating economic development. \$5,800,000 was loaned to the Orono Economic Development Corporation for purchase of land and construction of an office building being leased by Microdyne, Inc. (originally EnvisioNet Computer Services, Inc).

Of this amount, the Town has retained \$563,000, as a debt service reserve to cover one year's debt payments in the event the obligation is not met. This reserve fund is earning interest and had a balance of \$612,802 as of June 30, 2011. The additional \$2,000,000 was loaned directly to EnvisioNet for equipment and building improvements. With EnvisioNet's bankruptcy filing, Microdyne did not assume responsibility for this debt and the balance owed to the Town of \$1,942,000 was written off in 2002. Of this, a bonding for \$1,000,000 was for five years; that debt was completely retired in fiscal 2006. The bonding for the other \$1,000,000 is for 15 years and is being paid by Microdyne's personal property taxes. In the year ended June 30, 2009 the Orono Economic Development Corporation extended the lease for three years. The lease requires annual payments of \$632,500 through October 31, 2011.

#### Note D - Capital Assets

A summary of capital asset transactions for the year ended June 30, 2011, follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retired/ Completed</u>	<u>Ending Balance</u>
<b>Governmental Activities:</b>				
Non-Depreciable Assets:				
Land	\$ 2,838,776	\$ -	\$ -	\$ 2,838,776
Construction in progress	-	-	-	-
Depreciable Assets:				
Buildings	13,299,515	-	-	13,299,515
Improvements	261,179	126,949	-	388,128
Wastewater drainage system	2,631,814	-	(156,385)	2,475,429
Equipment	616,509	-	-	616,509
Mobile equipment	659,376	62,223	-	721,599
Vehicles	2,609,315	25,176	(20,846)	2,613,645
Bridge network	575,000	-	-	575,000
Road network	<u>7,398,957</u>	<u>-</u>	<u>-</u>	<u>7,398,957</u>
Totals at historical cost	30,890,441	214,348	(177,231)	30,927,558

## Notes to Financial Statements - Continued

### Town of Orono, Maine

#### Note D - Capital Assets - Continued

##### Less accumulated depreciation:

Buildings	9,753,312	120,303	-	9,873,615
Improvements	152,069	16,762	-	168,831
Wastewater drainage system	105,272	52,636	-	157,908
Equipment	361,430	59,930	-	421,360
Mobile equipment	451,316	41,457	-	492,773
Vehicles	1,248,412	210,946	(13,550)	1,445,808
Bridge network	575,000	-	-	575,000
Road network	6,086,662	147,979	-	6,234,641
Total accumulated depreciation	<u>18,733,473</u>	<u>650,013</u>	<u>(13,550)</u>	<u>19,369,936</u>
Capital Assets, Net	<u>\$12,156,968</u>	<u>\$ (435,665)</u>	<u>\$ (163,681)</u>	<u>\$11,557,622</u>

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retired/ Completed</u>	<u>Ending Balance</u>
<b>Business-Type Activities:</b>				
Non-Depreciable Assets:				
Land	\$ 44,573	\$ -	\$ -	\$ 44,573
Construction in progress	-	-	-	-
Depreciable Assets:				
Sewer items	17,039,581	156,385	-	17,195,966
Other sewer items	<u>334,507</u>	<u>29,272</u>	<u>-</u>	<u>363,779</u>
Totals at historical cost	17,418,661	185,657	-	17,604,318
Less accumulated depreciation:				
Sewer items	2,952,129	537,271	-	3,489,400
Other sewer items	<u>227,801</u>	<u>18,963</u>	<u>-</u>	<u>246,764</u>
Total accumulated depreciation	<u>3,179,930</u>	<u>556,234</u>	<u>-</u>	<u>3,736,164</u>
Capital Assets, Net	<u>\$14,238,731</u>	<u>\$ (370,577)</u>	<u>\$ -</u>	<u>\$13,868,154</u>

## Notes to Financial Statements - Continued

### Town of Orono, Maine

#### Note D - Capital Assets - Continued

Depreciation expense was charged to the following functions:

##### Governmental activities:

General government	\$ 105,361
Public services	73,528
Public safety	188,389
Public works	<u>282,735</u>
Total governmental activities depreciation expense	<u>\$ 650,013</u>

##### Business-type activities:

Sewer	\$ 537,271
Other sewer	<u>18,963</u>
Total business type activities depreciation expense	<u>\$ 556,234</u>

#### Note E - Debt Refinancing

On December 15, 2010, the Town issued \$4,530,000 in general obligation bonds with interest rates ranging between 3.0% and 5.75%. The bonds were divided into two lots with \$325,000 maturing over five years in December 2015 and \$4,205,000 maturing over ten years in December 2020. The Town issued the bonds to refund \$4,530,000 million of the outstanding 2000 general obligation bonds with an 8.47% interest rate.

The refunding reduced total debt service payments over the next 10 years by approximately \$1 million. This results in an economic gain (difference between the present values of the debt service payments on the old and new debt) of approximately \$900,000.

## Notes to Financial Statements - Continued

### Town of Orono, Maine

#### Note F - Interfund Receivables and Payables

Interfund balances at June 30, 2011 consisted of the following individual fund receivables and payables:

	Receivables <u>Due from</u>	Payables <u>Due to</u>	Net Internal <u>Balances</u>
<b>Governmental Activities</b>			
General Fund:			
Special Revenue Funds:			
Library Construction	\$ -	\$ (19,071)	\$ (19,071)
Special Revenue Fund:			
General Fund:			
Library Construction	19,071	-	19,071
Net Governmental Activities			\$ -

All interfund balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system and (3) payments between funds are made.

#### Note G - Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2011, was as follows:

	Beginning <u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	Ending <u>Balance</u>	Amounts Due within <u>One Year</u>
<b>Governmental Activities:</b>					
General obligation debt	\$ 9,669,613	\$ -	\$ 588,778	\$ 9,080,835	\$ 691,008
Other postemployment retirement obligations	117,299	62,495	14,147	165,647	-
Compensated absences	176,098	175,106	183,556	167,648	167,648
Total Governmental	<u>\$ 9,963,010</u>	<u>\$ 237,601</u>	<u>\$ 786,481</u>	<u>\$ 9,414,130</u>	<u>\$ 858,656</u>
<b>Business-type Activities:</b>					
General obligation debt	\$ 9,758,419	\$ -	\$ 210,305	\$ 9,548,114	\$ 219,407
Compensated absences	14,671	18,044	19,488	13,227	13,227
Total Business-type	<u>\$ 9,773,090</u>	<u>\$ 18,044</u>	<u>\$ 229,793</u>	<u>\$ 9,561,341</u>	<u>\$ 232,634</u>

## Notes to Financial Statements - Continued

### Town of Orono, Maine

#### Note G - Long-Term Liabilities - Continued

At June 30, 2011 bonds payable consisted of the following individual issues:

	<u>Governmental</u>	<u>Business-</u> <u>type</u>
1997 General Obligation Bond for school repairs and capital improvements with Maine Municipal Bond Bank, due in annual principal and interest installments through November 2017. Interest began at 5.276% and escalates to 5.776% by 2017.	\$ 463,750	\$ -
2002 General Obligation Bond for refinancing capital improvements with CEDE & Co., due in annual principal and interest installments through August 2017. Interest began at 3.5% and escalates to 4.875% by 2017.	1,280,000	-
2008 General Obligation Bond with the U.S. Department of Agriculture, due in annual principal and interest installments of \$82,491 through September 2035. Interest at 4.25%.	1,255,228	-
2008 General Obligation Bond with the U.S. Department of Agriculture, due in annual principal and interest installments of \$191,550 through September 2035. Interest at 4.375%.	527,405	2,349,355
2008 General Obligation Bond with the U.S. Department of Agriculture, due in annual principal and interest installments of \$37,266 through September 2035. Interest at 4.125%.	574,452	-
2008 General Obligation Bond with the U.S. Department of Agriculture, due in annual principal and interest installments of \$113,041 through September 2035. Interest at 4.125%.	-	1,742,502
2008 General Obligation Bond with the U.S. Department of Agriculture, due in annual principal and interest installments of \$363,307 through September 2035. Interest at 4.375%.	-	5,456,257
2008 General Obligation Bond with Maine Municipal Bond Bank due in annual principal installments of \$25,000 plus semi-annual interest payments through November 2028. Interest varies from 2.075% to 5.575%.	450,000	-

## Notes to Financial Statements - Continued

### Town of Orono, Maine

#### Note G - Long-Term Liabilities - Continued

2010 General Obligation Bond for creating economic development with New York Bank Mellon, due in annual principal and interest installments through December 2020. Interest began at 3.0% and escalates to 5.75% by 2020.

4,205,000

2010 General Obligation Bond for equipment with New York Bank Mellon, due in annual principal and interest installments through December 2015. Interest began at 3.0% and escalates to 4.25% by 2015.

	325,000	-
	<u>\$ 9,080,835</u>	<u>\$ 9,548,114</u>

The annual requirements to amortize bonds payable are as follows:

Year ending June 30.	Governmental		Business-type		Total
	Principal	Interest	Principal	Interest	
2012	\$ 691,008	\$ 401,514	\$ 219,407	\$ 413,374	\$ 1,725,303
2013	703,333	376,325	228,903	403,878	1,712,439
2014	720,757	349,526	238,811	393,970	1,703,064
2015	738,284	319,862	249,147	383,634	1,690,927
2016	760,919	286,989	259,931	372,850	1,680,689
2017-2021	3,574,447	930,229	1,478,489	1,685,416	7,668,581
2022-2026	576,777	360,926	1,827,433	1,336,472	4,101,608
2027-2031	631,228	224,419	2,258,783	905,122	4,019,552
2032-2036	<u>684,082</u>	<u>89,536</u>	<u>2,787,210</u>	<u>371,897</u>	<u>3,932,725</u>
	<u>\$ 9,080,835</u>	<u>\$ 3,339,326</u>	<u>\$ 9,548,114</u>	<u>\$ 6,266,613</u>	<u>\$28,234,888</u>

#### Other Postemployment Benefits

Under Government Accounting Standards Board (GASB) Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits other than Pensions* (GASB Statement No. 45), the long term cost of retirement health care and obligations for other postemployment benefits are reported on the accrual basis of accounting in the Government-wide financial statements. Under this method future postemployment benefits are recognized as an expense in the period earned by future retirees. The amount of expense recognized is determined on an actuarial basis and accumulates as a liability to the extent the Town does not fund the actuarially required contribution.

## Notes to Financial Statements - Continued

### Town of Orono, Maine

#### Note G - Long-Term Liabilities - Continued

##### Plan Description

The Town of Orono contributes to the Maine Municipal Employees Health Trust, a cost-sharing multiple-employer defined benefit postretirement healthcare plan. The Town sponsors a post-retirement benefit plan providing health and life insurance to retiring employees. Retirees that are eligible (reach age 55 with 5 years of continuous service) in the plan pay 100% of the coverage premium. Complete plan financial statements may be obtained from the Maine Municipal Employees Health Trust at 60 Community Drive, Augusta, ME 04330.

##### Funding Policy and Annual Other Postemployment Benefits (OPEB) Cost

GASB Statement 45 does not mandate the prefunding of the postemployment benefits liability. The Town currently plans to fund these benefits on a "pay-as-you-go" basis. No assets have been segregated and restricted to provide postemployment benefits. The annual required contribution (ARC), an actuarial determined rate, represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize the unfunded actuarial liabilities of the plan over a period not to exceed thirty years.

The following table shows the components of the Town's annual OPEB cost for the year, the amounts contributed to the plan and the change in the net OPEB obligation based on an actuarial valuation as of January 1, 2011:

Normal cost	\$	23,057
Amortization of unfunded liability		38,224
Interest on net OPEB obligation		<u>1,214</u>
Annual OPEB cost		62,495
City contributions (ARC offset - implicit subsidy)		<u>(14,147)</u>
Increase (decrease) in net OPEB obligation		48,348
Net OPEB Obligation at beginning of year		<u>117,299</u>
Net OPEB Obligation at End of Year	\$	<u><u>165,647</u></u>

## Notes to Financial Statements - Continued

### Town of Orono, Maine

#### Note G - Long-Term Liabilities - Continued

##### Funding Status and Funding Progress

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation were as follows:

Fiscal Year <u>Ended</u>	Annual OPEB <u>Cost</u>	Percentage of OPEB Costs <u>Contributed</u>	Net OPEB <u>Obligation</u>
2010	\$ 73,247	11.98%	\$ 117,299
2011	62,495	22.64%	48,348

The unfunded actuarial accrued liability as a percentage of covered payroll for the year ended June 30, 2011 is as follows:

Actuarial accrued liability (AAL)	\$ 687,417
Actuarial value of plan assets	-
Unfunded actuarial accrued liability (UAAL)	<u>\$ 687,417</u>
Covered payroll	<u>\$ 2,795,000</u>
UAAL as a percentage of covered payroll	<u>24.59%</u>

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of events in the future. Examples include assumptions about future employment, mortality, and healthcare cost trends. Amounts determined regarding the funded status of the plan and annual required contributions of the employer are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The schedule of funding progress, which is required supplementary information, presents trend information (only one year is available) that will show whether the actual value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

##### Actuarial Methods and Assumptions

Projections of benefits are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the Town and plan members at that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.



## Notes to Financial Statements - Continued

### Town of Orono, Maine

#### Note G - Long-Term Liabilities - Continued

Actuarial valuation date	January 1, 2011
Actuarial cost method	Projected Unit Credit Cost Method
Amortization method	Level dollar
Remaining amortization period	30 years
Actuarial assumptions:	
Investment rate of return	4%
Participation	90.32% of eligible employees
Increase in future medical costs	7.6% for pre-medicare and 8.7% for medicare eligible

#### Note H - Commitments and Contingencies

##### Grant Funds

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the Town expects such amounts, if any, to be immaterial.

##### Waste Disposal

Under terms of a waste disposal agreement, the Town has guaranteed at least 4,265 tons of acceptable waste per year to be hauled from Orono to Penobscot Energy Recovery Company (PERC) at the agreed upon tipping fee, which changes quarterly. The Town is one of many members of a waste pool. Should the Town not deliver the guaranteed tonnage, and the waste pool did not cover the shortage, the Town could be billed for the shortfall.

#### Note I - Joint Venture

The Town is a member of a non-profit corporation, the Municipal Review Committee, Inc. (MRC), whose mission is to ensure the continuing availability of long-term, reliable, safe, and environmentally-sound methods of solid waste disposal. The Town's proportionate interest in the net assets of the MRC on December 31, 2010, the date of MRC's most recent audited financial statements, was \$885,816 (2.5%). Complete financial statements may be obtained from the MRC at 40 Harlow Street, Bangor, ME 04401.

As of December 31, 2010, the MRC in turn owned 25.5% of the limited partnership interests in PERC. Allocation of PERC ownership interests among the members of the MRC is based upon their respective shares of cumulative performance credits and other cash flows and reserves. At June 30, 2011, the Town's proportionate interest in PERC was 0.66%.

## **Notes to Financial Statements - Continued**

### **Town of Orono, Maine**

#### **Note J - Landfill Closure and Postclosure Costs**

The Town stopped accepting solid waste at its landfill site and constructed a demolition debris site. State and federal laws and regulations require the Town to perform certain maintenance and monitoring functions at the landfill site for 30 years after closure. The State has reimbursed Orono \$532,920 for its share of the closure costs. These funds were used to help pay the debt incurred to close the landfill. Currently the Town has assigned funds to close the second cell of the disposal site. As of June 30, 2011 the assigned fund balance of this account was \$305,956. As of June 30, 2011 the Town has estimated the anticipated postclosure costs related to the second cell to be immaterial and has not accrued any related liabilities. The second cell has used approximately 98% of its capacity as of June 30, 2011.

#### **Note K - Deferred Compensation Plan**

The Town offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The Plan is administered by the International City Management Association Retirement Corporation (ICMARC). The Town's matching contribution to the plan for the year ended June 30, 2011 was \$18,898.

The plan, available to all full-time and permanent part-time Town employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are solely the property and rights of the participants. All assets are protected by a trust arrangement from any claims on the Town and from any use by the Town other than paying benefits to employees and their beneficiaries in accordance with the plan.

#### **Note L - Pension Plan**

##### **Maine Public Employees Retirement System**

Town employees contribute to the Maine Public Employees Retirement System ("System"), an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for public school teachers, state employees (except as members of the judiciary and legislature who are covered under the Judicial and Legislative Retirement Systems) and political subdivisions. Complete plan financial statements may be obtained from the Maine Public Employees Retirement System, 46 State House Station, Augusta, ME 04333.

The Town of Orono is a participating district in the System. This allows maintenance, support workers, and custodial support staff to participate voluntarily in the System. Participants are required to contribute 6.5% of their annual gross salary to the plan and the district is required to make a contribution

## **Notes to Financial Statements - Continued**

### **Town of Orono, Maine**

#### **Note L - Pension Plan - Continued**

based on an historical assessment of the plan by the System. Vesting of benefits occurs after five years of service. Disability, pre-retirement and death benefits are provided under the Town's plan. A cost of living increase is provided under the Town's plan. Upon retirement at or after age sixty, the participant is entitled to an annual retirement benefit of two-percent of the average of their three highest years earnings multiplied by the number of years of credited service. The Town's contribution as a participating local district for the year ended June 30, 2011 was \$65,000.

Effective July 1, 1995 the Town's Participating Local District (PLD) joined with other PLD's forming a consolidated PLD. All PLD's that enter the Consolidated Plan cease to be individual sponsors of a "Single - Employer Defined Benefit Pension Plan" and instead become participants in a "Cost-Sharing Multiple - Employer Defined Benefit Pension Plan." As such, the disclosures made by individual PLD's reflect the assets and liabilities under the Consolidated Plan in which the PLD participates and not those of the PLD itself. A complete report is available from the Maine State Retirement System.

#### **Note M - Risk Management**

The Town is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets, errors and omissions; and natural disasters for which the Town either carries commercial insurance, participates in a public entity risk pool, or is effectively self-insured. Currently, the Town participates in several public entity and self-insured risk pools sponsored by the Maine Municipal Association. These pools, and the risks of loss to which the Town is exposed, are as follows:

MMA's workers' compensation fund retains \$400,000 of risk and purchases excess insurance for claims which exceed \$400,000 up to a maximum coverage of \$2,000,000 per occurrence.

MMA's income protection risk and health insurance risk pools are also self-insured. Each member retains \$135,000 of risk in total for the two plans and the pool purchases excess insurance for claims which exceed \$135,000 cumulative for both lines. The health insurance pool has no maximum coverage limit and the income protection has a limit of \$1,000 a week for a maximum of 52 weeks per occurrence.

MMA's property and casualty risk pool retains \$100,000 of risk and purchases excess insurance for claims which exceed \$100,000 up to a maximum coverage of \$1,000,000 for property and casualty coverage per occurrence, \$200,000,000 cumulative coverage for the entire pool, and \$250,000 for crime per entity per occurrence.

Based on the coverage provided by the pools described above, as well as coverage provided by commercial insurance purchased, the Town is not aware of any material actual or potential claim liabilities which should be recorded at June 30, 2011.

## Notes to Financial Statements - Continued

### Town of Orono, Maine

#### Note N - Tax Increment Financing Districts

##### 100% Credit Enhancement

Under Maine law, the Town has established a Credit Enhancement Tax Increment Financing District to finance a development program located in the Town of Orono. The expenditures from this development program will be recouped in future years via an incremental tax levied upon the district's so-called "captured assessed value."

The acquisitions and improvements made by the Development Program (Sensor Research and Development Corporation - construction of research facility and manufacturing equipment) will result in an estimated investment of approximately \$4,834,100, creating additional tax base within the Town. The Town will make available to Sensor Research and Development all of the retained captured tax increment revenues from the District for a period of ten years. These revenues will be used by Sensor Research and Development, either to assist it in paying debt service related to financing the Project or as direct payments toward the cost of the Project.

Fiscal year ended June 30, 2010 was the tenth year tax revenues were retained and made available to Sensor Research and Development. The amount of captured tax increment revenues held by the Town for the year ended June 30, 2011 was \$73,245, representing 100% of the captured tax revenues.

##### 100% Credit Enhancement

Under Maine law, the Town has established a Credit Enhancement Tax Increment Financing District to finance a development program located in the Town of Orono. The expenditures from this development program will be recouped in future years via an incremental tax levied upon the district's so-called "captured assessed value."

The acquisitions and improvements made by the Orono Economic Development Corp. (Envisionet Municipal Development TIF District) will result in creating additional tax base within the Town.

The amount of captured tax increment revenues held by the Town for the year ended June 30, 2011 was \$138,456, representing 100% of the captured tax revenues.

##### 70% Economic Development and 30% Credit Enhancement

Under Maine law, the Town has established a Tax Increment Financing District to finance a development program.

The acquisitions and improvements made by the Development Program (Dirigo Pines Inn, LLC) will result in an estimated investment of approximately \$2,517,000, creating additional tax base within the Town. The Town will make available to Dirigo Pines 30% of the captured tax increment revenues from the District. These revenues will be used by Dirigo Pines, either to assist it in paying debt service related to financing the Project or as direct payments toward the cost of the Project.

## Notes to Financial Statements - Continued

### Town of Orono, Maine

#### Note N - Tax Increment Financing Districts - Continued

Fiscal year ended June 30, 2011 was the eighth year tax revenues were retained and made available to Dirigo Pines. The amount of retained captured tax increment revenues returned to Dirigo Pines Inn, LLC was \$91,991; representing 70% of the captured tax increment revenues. The remaining 30% (\$39,425) was captured and held by the Town for economic development and infrastructure initiatives.

##### 100% Credit Enhancement

Under Maine law, the Town has established a Credit Enhancement Tax Increment Financing District to finance a development program located in the Town of Orono. The expenditures from this development program will be recouped in future years via an incremental tax levied upon the district's so-called "captured assessed value."

The acquisitions and improvements made for the Transit-Oriented TIF District will result in creating additional tax base within the Town.

The amount of captured tax increment revenues held by the Town for the year ended June 30, 2011 was \$215,726, representing 100% of the captured tax revenues.

#### Note O - Budget to Actual Reconciliation

An explanation of the differences between budgetary inflows and outflows and revenues and expenditures determined in accordance with generally accepted accounting principles follows:

##### Budgetary Basis:

Revenues and Other Sources Under Expenditures and Other Uses	\$ (126,687)
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##### *Sources/inflows of resources reconciling items:*

Interest and investment income allocated to assigned balances not included in general fund operating budget	18,058
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Miscellaneous income allocated to assigned balances not included in general fund operating budget	4,983
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Transfers from other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	340,174
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## Notes to Financial Statements - Continued

### Town of Orono, Maine

#### Note O - Budget to Actual Reconciliation - Continued

*Uses/outflows of resources reconciling items:*

The Town does not budget to use assigned fund balance amounts which have been expended during the current year:

Landfill closure expenses	(14,000)
SRD TIF expenses	(24,465)

Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	<u>(293,176)</u>
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Generally Accepted Accounting Principles Basis:

Revenues and Other Sources Under Expenditures and Other Uses	<u>\$ (95,113)</u>
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#### Note P - Fund Balances

At June 30, 2011, the nonspendable fund balance consisted of the following:

	General Fund
Long-Term Note Receivable	\$ 3,322,000
Debt Service	<u>846,894</u>
	<u>\$ 4,168,894</u>

At June 30, 2011, the assigned general fund balance consisted of the following:

	Balance at 7/1/2010	Appropriated	Additions	Reductions	Balance at 6/30/2011
Pine Street sidewalk	\$ 39,000	\$ -	\$ -	\$ (39,000)	\$ -
Stormwater improvements	38,500	-	-	(38,500)	-
Energy efficiency	9,500	-	-	(9,500)	-
Web-based mapping	5,000	-	-	(5,000)	-
Employee benefits reserve	15,000	-	-	(15,000)	-
Computer reserve	8,000	-	-	(8,000)	-
Recreation	-	-	27,981	-	27,981
Library	-	-	6,367	-	6,367
Public Safety	-	-	8,934	-	8,934

# Notes to Financial Statements - Continued

## Town of Orono, Maine

### Note P - Fund Balances - Continued

Other designated balances	7,821	-	19,245	(7,821)	19,245
Education	598,770	-	-	(229,668)	369,102
Town Manager	-	-	3,000	-	3,000
Assessor	-	-	2,000	-	2,000
Code enforcement	-	-	1,000	-	1,000
Planning	-	-	4,600	-	4,600
TIF expenditures	-	-	32,715	-	32,715
Public works	-	-	42,000	-	42,000
Parks and recreation	-	-	58,700	-	58,700
Public works capital reserve	-	-	40,000	-	40,000
Council reserve projects	5,342	-	26	-	5,368
Unemployment	37,975	(2,866)	197	-	35,306
SRD TIF	57,857	23,387	406	(24,465)	57,185
Recreation reserve	1,468	-	5	-	1,473
Capital equipment	829,587	106,726	6,863	-	943,176
Major maintenance	17,330	-	84	-	17,414
Wood chipper	16,206	-	60	-	16,266
Senior citizen center	1,649	-	6	-	1,655
Hazardous materials	111,745	-	423	-	112,168
Town office computer system	(1,240)	8,000	9	-	6,769
Bennoch Road reconstruction	50,670	-	159	-	50,829
Cable fund	590	(591)	1	-	-
Cable capital support	12,015	591	59	-	12,665
Emergency medical services	37,585	(5,000)	268	-	32,853
Safety equipment	11,258	(1,500)	5,066	-	14,824
Public works garage	554,943	-	4,864	-	559,807
Skate park	10,653	-	96	-	10,749
Landfill closure	277,598	40,000	2,357	(14,000)	305,955
Voting machine	31,270	-	207	-	31,477
Employee benefits	136,860	25,000	1,186	-	163,046
Pine street	151,051	(151,748)	697	-	-
Transit-Oriented TIF	-	215,726	-	(72,230)	143,496
Library maintenance	-	5,000	1	-	5,001
	<u>\$ 3,074,003</u>	<u>\$ 262,725</u>	<u>\$ 269,582</u>	<u>\$ (463,184)</u>	<u>\$ 3,143,126</u>

## Notes to Financial Statements - Continued

### Town of Orono, Maine

#### Note Q - Prior Period Adjustment

##### Fund Financial Statements

During the year ended June 30, 2011 a correction was required with regard to allocation of capital expenses between Town operations and the Sewer Fund. The effect on the Town's fund balance was an increase of \$156,385 as of June 30, 2010. For the Sewer Fund, capital assets increased by \$156,385.



## Required Supplementary Information (Unaudited)

### Town of Orono, Maine

#### Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UALL as a Percentage of Covered Payroll
1/1/2009	\$ -	\$ 788,227	\$ 788,227	-	\$ 3,425,000	23.01%
1/1/2010 *	-	788,227	788,227	-	2,899,016	27.19%
1/1/2011	-	687,417	687,417	-	2,795,000	24.59%

\* An actuarial valuation of liabilities was not performed during the fiscal year ended June 30, 2010.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Orono, Maine's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, City Council, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record, and its distribution is not limited.

*Purdy Power & Company*  
Professional Association

**Portland, Maine**  
**February 15, 2012**

# Comparative Balance Sheet - General Fund

Schedule A-1

## Town of Orono, Maine

As of June 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
<b>Assets</b>		
Cash and cash equivalents	\$ 6,369,383	\$ 6,188,748
Receivables-		
Taxes receivable	50,867	34,464
Tax liens	393,943	456,942
Accounts receivable	414,057	259,785
Notes receivable	3,642,000	3,867,000
Prepaid fees paid to RSU #26	369,101	598,770
Tax acquired property	<u>2,042</u>	<u>2,042</u>
<b>Total Assets</b>	<u>\$ 11,241,393</u>	<u>\$ 11,407,751</u>
<b>Liabilities and Fund Balance</b>		
<b>Liabilities</b>		
Accounts payable	\$ 63,370	\$ 85,232
Accrued wages	54,055	43,717
Accrued vacation	167,648	176,098
Due to other funds	19,071	156,385
Taxes collected in advance	7,263	2,864
Deferred tax revenue	390,000	465,000
Performance bond deposits	<u>119,446</u>	<u>119,187</u>
<b>Total Liabilities</b>	<u>820,853</u>	<u>1,048,483</u>
<b>Fund Balance</b>		
Nonspendable	4,168,894	4,430,706
Assigned	3,143,126	3,074,003
Unassigned	<u>3,108,520</u>	<u>2,854,559</u>
<b>Total Fund Balance</b>	<u>10,420,540</u>	<u>10,359,268</u>
<b>Total Liabilities and Fund Balance</b>	<u>\$ 11,241,393</u>	<u>\$ 11,407,751</u>

See accompanying independent auditors' report.

**Schedule of Revenues, Expenditures and Changes in Fund Balance  
Budget and Actual - Fund Level - General Fund**

Schedule A-2  
(1 of 4)

**Town of Orono, Maine**

**For the Year Ended June 30, 2011**

**(with comparative totals for June 30, 2010)**

	2011			
			Variance	2010
	Budget	Actual	Favorable	Actual
			(Unfavorable)	
Revenues				
Taxes:				
Property taxes	\$ 8,620,552	\$ 8,620,552	\$ -	\$ 8,492,900
Village Center District taxes	7,821	7,821	-	8,095
Supplemental taxes	-	1,079	1,079	324
Change in deferred property tax revenue	-	75,000	75,000	(165,000)
Excise taxes	589,300	651,427	62,127	632,616
Interest and costs on taxes	34,000	55,966	21,966	47,012
Total Taxes	9,251,673	9,411,845	160,172	9,015,947
Licenses, permits and fees:				
Road opening permits	1,500	1,500	-	1,000
Plumbing permits	2,500	2,054	(446)	1,979
Town Clerk fees	56,375	65,114	8,739	58,175
Building permits	20,000	10,251	(9,749)	18,615
Electrical permits	7,000	7,537	537	8,985
Burning permits	800	530	(270)	771
License plate fees	1,000	760	(240)	889
Land use ordinance fees	2,000	3,185	1,185	1,315
Recreation revenue	23,000	15,512	(7,488)	20,472
After school program	50,000	55,816	5,816	61,157
Total Licenses, permits and fees	164,175	162,259	(1,916)	173,358
Intergovernmental:				
Education state allocation	-	-	-	-
State Revenue Sharing	1,100,000	1,183,994	83,994	1,133,634
URIP	70,000	89,284	19,284	90,797
Snowmobile refund	700	702	2	814
General assistance reimbursement	10,000	6,312	(3,688)	8,196
Property tax relief program	-	-	-	-
UMO reimbursements	653,966	653,966	-	653,966
Tax reimbursements	9,500	11,125	1,625	9,897
Homestead tax exemption	111,165	111,165	-	147,273
Other grants	359,448	165,187	(194,261)	25,211
RSU debt payments	94,635	94,635	-	101,316
Total Intergovernmental	2,409,414	2,316,370	(93,044)	2,171,104
Investment income	349,450	355,428	5,978	409,238

See accompanying independent auditors' report.

**Schedule of Revenues, Expenditures and Changes in Fund Balance  
Budget and Actual - Fund Level - General Fund**

Schedule A-2  
(2 of 4)

**Town of Orono, Maine**

**For the Year Ended June 30, 2011  
(with comparative totals for June 30, 2010)**

	2011		Variance Favorable (Unfavorable)	2010 Actual
	Budget	Actual		
<b>Other revenues</b>				
Water Pollution Control Facility administration fee	\$ 120,000	\$ 120,000	\$ -	\$ 115,675
Education tuition and fees	-	-	-	-
Emergency medical services	250,000	319,901	69,901	261,076
Police court time	4,500	5,445	945	4,350
Police fees	200	298	98	272
Public works fees	14,000	7,578	(6,422)	13,335
Disposal site fees	11,000	10,015	(985)	12,950
Code enforcement fees	1,030	435	(595)	23
Cemetery revenue	12,000	8,743	(3,257)	13,970
Parking violations	24,300	18,197	(6,103)	28,493
Police special detail	1,400	1,188	(212)	3,501
Fire special detail	-	-	-	-
Rental income	3,800	5,466	1,666	4,679
Library income	3,000	3,192	192	3,297
Senior Citizen Center	3,500	4,340	840	4,323
Sale of surplus property	5,000	6,722	1,722	12,841
Miscellaneous revenue	296,184	236,587	(59,597)	168,210
Education miscellaneous revenue	-	-	-	-
Cable franchise fee	67,500	70,800	3,300	67,506
PERC performance credit	112,000	116,708	4,708	107,349
<b>Total Other revenues</b>	<b>929,414</b>	<b>935,615</b>	<b>6,201</b>	<b>821,850</b>
<b>Total Revenues</b>	<b>13,104,126</b>	<b>13,181,517</b>	<b>77,391</b>	<b>12,591,497</b>
<b>Expenditures</b>				
<b>General Government</b>				
Town Council	38,251	33,410	4,841	39,250
Town Manager	262,155	217,611	44,544	229,489
Town Office	448,361	438,403	9,958	457,378
Assessor	86,929	83,618	3,311	84,457
Elections/voter registration	7,745	6,264	1,481	7,529
Insurance	91,500	73,631	17,869	66,251
Municipal building	150,955	119,005	31,950	106,041
Code enforcement	187,844	171,300	16,544	181,088
Employee benefits	88,950	73,101	15,849	18,046
Contingency	10,000	8,954	1,046	7,750
Tax increment financing	405,997	217,539	188,458	37,100
Miscellaneous	56,100	34,930	21,170	81,853
<b>Total General Government</b>	<b>1,834,787</b>	<b>1,477,766</b>	<b>357,021</b>	<b>1,316,232</b>

See accompanying independent auditors' report.

**Schedule of Revenues, Expenditures and Changes in Fund Balance  
Budget and Actual - Fund Level - General Fund**

Schedule A-2  
(3 of 4)

**Town of Orono, Maine**

**For the Year Ended June 30, 2011  
(with comparative totals for June 30, 2010)**

	2011			2010 Actual
	Budget	Actual	Variance Favorable (Unfavorable)	
<b>Public Services:</b>				
General assistance	\$ 24,950	\$ 14,438	\$ 10,512	\$ 14,787
Public library	287,105	273,577	13,528	288,186
Parks and recreation	408,443	313,540	94,903	321,226
Tredwell building	10,272	11,732	(1,460)	9,955
Senior Citizen Center	23,187	27,437	(4,250)	25,965
Anderson Community House	27,320	27,474	(154)	31,054
<b>Total Public Services</b>	<b>781,277</b>	<b>668,198</b>	<b>113,079</b>	<b>691,173</b>
<b>Public Safety:</b>				
Public Safety Administration	68,125	59,320	8,805	66,072
Police department	1,040,526	1,013,079	27,447	1,044,946
Fire department	1,296,235	1,222,284	73,951	1,220,661
Hydrant rental	206,345	200,746	5,599	191,410
Street lights	76,500	71,640	4,860	72,331
Haz-Mat	31,500	21,970	9,530	42,451
<b>Total Public Safety</b>	<b>2,719,231</b>	<b>2,589,039</b>	<b>130,192</b>	<b>2,637,871</b>
<b>Public Works:</b>				
General maintenance	841,193	838,840	2,353	622,448
Winter maintenance	449,328	457,486	(8,158)	369,375
Riverside Cemetery	78,538	74,550	3,988	76,985
Solid waste disposal	280,453	270,369	10,084	271,314
Town garage	351,637	247,132	104,505	312,154
<b>Total Public Works</b>	<b>2,001,149</b>	<b>1,888,377</b>	<b>112,772</b>	<b>1,652,276</b>

See accompanying independent auditors' report.

**Schedule of Revenues, Expenditures and Changes in Fund Balance**      **Schedule A-2**  
**Budget and Actual - Fund Level - General Fund**      **(4 of 4)**

**Town of Orono, Maine**

**For the Year Ended June 30, 2011**  
**(with comparative totals for June 30, 2010)**

	2011			2010
	Budget	Actual	Variance Favorable (Unfavorable)	Actual
Educational assessment	\$ 4,907,218	\$ 4,907,218	\$ -	\$ 4,732,546
Intergovernmental - County tax	463,446	463,446	-	465,030
Other - Tax abatements	-	6,625	(6,625)	5,528
Debt Service:				
Principal	588,778	588,778	-	609,691
Interest	576,447	571,947	4,500	649,191
<b>Total Debt Service</b>	<b>1,165,225</b>	<b>1,160,725</b>	<b>4,500</b>	<b>1,258,882</b>
Capital Outlays	344,174	91,991	252,183	134,919
<b>Total Expenditures</b>	<b>14,216,507</b>	<b>13,253,385</b>	<b>963,122</b>	<b>12,894,457</b>
<b>Revenues Over (Under) Expenditures</b>	<b>(1,112,381)</b>	<b>(71,868)</b>	<b>1,040,513</b>	<b>(302,960)</b>
<b>Other Financing Sources (Uses)</b>				
Operating transfers in	-	-	-	273,423
Operating transfers out	-	-	-	(478,367)
Transfer to (from) assigned fund balances	274,255	(46,998)	(321,253)	-
Proceeds of refunding bonds	-	4,530,000	4,530,000	-
Debt service - principal	-	(4,530,000)	(4,530,000)	-
Village Center District	(7,821)	(7,821)	-	(8,095)
Overlay	(51,221)	-	51,221	-
Utilization of unassigned balance	595,000	-	(595,000)	-
Utilization of assigned balance	302,168	-	(302,168)	-
<b>Total Other Financing Sources (Uses)</b>	<b>1,112,381</b>	<b>(54,819)</b>	<b>(1,167,200)</b>	<b>(213,039)</b>
<b>Revenues and Other Sources</b>				
<b>Under Expenditures and Other Uses</b>	<b>-</b>	<b>(126,687)</b>	<b>(126,687)</b>	<b>(515,999)</b>
Budgetary Fund balance at beginning of year, as previously stated		8,006,854		8,522,853
Prior period adjustment		156,385		-
Budgetary Fund balance at beginning of year, as restated		8,163,239		-
<b>Budgetary Fund Balance at End of Year</b>		<b>\$ 8,036,552</b>		<b>\$ 8,006,854</b>

See accompanying independent auditors' report.

# Combining Balance Sheet Special Revenue Funds

## Town of Orono, Maine

As of June 30, 2011  
(with comparative totals for June 30, 2010)

	MBNA <u>Infrastructure</u>
<b>Assets</b>	
Cash and cash equivalents	\$ 37,468
Investments	-
Accounts receivable	-
Due from other funds	-
	<hr/>
<b>Total Assets</b>	<b>\$ 37,468</b>
<b>Liabilities and Fund Balance</b>	
<b>Liabilities</b>	
Due to other funds	\$ -
Accounts payable	-
	<hr/>
<b>Total Liabilities</b>	<b>-</b>
<b>Fund Balance</b>	
Unreserved	
Designated	37,468
Undesignated	-
	<hr/>
<b>Total Fund Balance (Deficit)</b>	<b>37,468</b>
<b>Total Liabilities and Fund Balance</b>	<b>\$ 37,468</b>

See accompanying independent auditors' report.



# Schedule B-1

<u>Cemetery</u>	<u>Public Library</u>	<u>Park Trust Librarv</u>	<u>Library Construction</u>	<u>Total</u>	
				<u>2011</u>	<u>2010</u>
\$ 61,563	\$ 45,970	\$ 13,545	\$ 47,162	\$ 205,708	\$ 202,408
288,308	14,910	-	-	303,218	303,838
-	-	-	-	-	45,000
-	-	-	19,071	19,071	-
<u>\$ 349,871</u>	<u>\$ 60,880</u>	<u>\$ 13,545</u>	<u>\$ 66,233</u>	<u>\$ 527,997</u>	<u>\$ 551,246</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
349,871	60,880	13,545	66,233	527,997	551,246
-	-	-	-	-	-
<u>349,871</u>	<u>60,880</u>	<u>13,545</u>	<u>66,233</u>	<u>527,997</u>	<u>551,246</u>
<u>\$ 349,871</u>	<u>\$ 60,880</u>	<u>\$ 13,545</u>	<u>\$ 66,233</u>	<u>\$ 527,997</u>	<u>\$ 551,246</u>

# Combining Schedule of Revenues, Expenditures and Changes in Fund Balances Special Revenue Funds

Schedule B-2

## Town of Orono, Maine

For the Year Ended June 30, 2011  
(with comparative totals for June 30, 2010)

	MBNA Infrastructure	Cemetery	Public Library (Schedule B-3)	Park Trust Library	Library Construction	Total	
						2011	2010
<b>Revenues</b>							
Intergovernmental	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
User fees	-	-	-	-	-	-	-
Investment income	231	1,382	829	44	177	2,663	8,031
Miscellaneous	-	2,100	1,295	3,849	-	7,244	51,470
<b>Total Revenues</b>	<b>231</b>	<b>3,482</b>	<b>2,124</b>	<b>3,893</b>	<b>177</b>	<b>9,907</b>	<b>59,501</b>
<b>Expenditures</b>							
Equipment and supplies	-	-	-	-	-	-	-
Program expenditures	-	-	1,192	-	-	1,192	4,988
Miscellaneous	-	6,035	-	-	-	6,035	10,298
Capital outlay	-	-	-	-	25,929	25,929	491,833
<b>Total Expenditures</b>	<b>-</b>	<b>6,035</b>	<b>1,192</b>	<b>-</b>	<b>25,929</b>	<b>33,156</b>	<b>507,119</b>
<b>Revenues Over (Under) Expenditures</b>	<b>231</b>	<b>(2,553)</b>	<b>932</b>	<b>3,893</b>	<b>(25,752)</b>	<b>(23,249)</b>	<b>(447,618)</b>
<b>Other Financing Sources (Uses)</b>							
Operating transfers in	-	-	-	-	-	-	-
Operating transfers out	-	-	-	-	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Revenues and Other Sources Over (Under) Expenditures and Other Uses</b>	<b>231</b>	<b>(2,553)</b>	<b>932</b>	<b>3,893</b>	<b>(25,752)</b>	<b>(23,249)</b>	<b>(447,618)</b>
<b>Fund balances at beginning of year</b>	<b>37,237</b>	<b>352,424</b>	<b>59,948</b>	<b>9,652</b>	<b>91,985</b>	<b>551,246</b>	<b>998,864</b>
<b>Fund Balances at End of Year</b>	<b>\$ 37,468</b>	<b>\$ 349,871</b>	<b>\$ 60,880</b>	<b>\$ 13,545</b>	<b>\$ 66,233</b>	<b>\$ 527,997</b>	<b>\$ 551,246</b>

See accompanying independent auditors' report.

**Schedule of Changes in Fund Balances  
Special Revenue Funds - Public Library Funds**

Schedule B-3

**Town of Orono, Maine**

**For the Year Ended June 30, 2011**

	Balance July 1, 2010	Revenues	Expenditures	Transfer In (Out)	Balance June 30, 2011
Book orders	\$ 58	\$ -	\$ -	\$ -	\$ 58
Children's fund	15	-	-	-	15
Elenor Emerson Memorial	-	1,060	1,060	-	-
Concert park	-	-	-	-	-
Endowment fund	44,846	788	-	-	45,634
Guys read too	25	-	-	-	25
Guys read too book fund	287	-	45	-	242
Kindred Spirits petty cash	3	-	-	-	3
Kindred Spirits	96	-	87	-	9
Memorial books	44	-	-	-	44
OPL Pledge	-	-	-	-	-
Reed memorial books	53	-	-	-	53
Reed memorial CD	2,012	41	-	-	2,053
Saturday story hour petty cash	-	-	-	-	-
Spinney large print	50	-	-	-	50
Sproul fund	-	-	-	-	-
Staff Appreciation	18	2	-	-	20
Trustees account	12,400	233	-	-	12,633
Youth	42	-	-	-	42
<b>Total</b>	<b>\$ 59,948</b>	<b>\$ 2,124</b>	<b>\$ 1,192</b>	<b>\$ -</b>	<b>\$ 60,880</b>

See accompanying independent auditors' report.

**Schedule of Valuation, Assessment and Collection of Taxes**

Schedule C

**Town of Orono, Maine****For the Year Ended June 30, 2011****Valuation**

Real estate	\$ 398,683,600
Personal property	<u>16,764,700</u>

<b>Total Valuation</b>	<b>\$ <u>415,448,300</u></b>
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**Assessment**

Valuation x Rate - \$415,448,300 x .02075	\$ 8,620,552
Village Center Tax District	7,821
Supplemental taxes	<u>1,079</u>

<b>Total Assessment Charged to Collector</b>	<b>\$ 8,629,452</b>
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**Collection and Credits**

Cash collections	8,292,340
Tax increment financing credit	91,991
Tax abatements	<u>4,866</u>

<b>Total Collection and Credits</b>	<b><u>8,389,197</u></b>
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<b>2011 Taxes Receivable - June 30, 2011</b>	<b>\$ <u>240,255</u></b>
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See accompanying independent auditors' report.